



Portage, Michigan

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

Portage Public Schools
8111 S. Westnedge Avenue
Portage, Michigan 49002

For the Fiscal Year Ended
June 30, 2007

Peter McFarlane, Ph.D.
Superintendent of Schools

BOARD OF EDUCATION

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Jennifer Whistler
Vice President

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Prepared by:

Thomas Noverr, Assistant Superintendent
for Operations
Karla Colestock, Business Manager



PORTAGE PUBLIC SCHOOLS

Shaping the Future

VISION

Portage Public Schools will shape the future by empowering every student to contribute intelligently and ethically in an information rich, global society.

MISSION

Through a partnership of school staff, students, parents, and community, all Portage Public Schools' students will become effective communicators, responsible citizens, self-directed learners, and complex thinkers.

In order to accomplish this mission:

The School Staff will

- ensure high quality innovative curriculum, research-based instruction, opportunities for practice, and measurement of student achievement, that is customized to meet all students' needs.
- ensure a safe learning environment that empowers students to be responsible, confident, independent thinkers who are able to monitor their own behaviors and performances.
- build positive relationships in a professional, ethical manner by honoring diversity, modeling life skills, and meeting the physical and emotional needs of all students.
- be technologically literate, complex thinkers in an ever-changing profession.

The Students will

- master effective communication skills.
- master the ability to monitor and assess their own performance and be responsible for expanding their physical, emotional and intellectual learning.
- demonstrate responsible citizenship through positive social interactions to various environments.
- use innovative, complex-thinking strategies to solve problems and make decisions in everyday life.

The Parents will

- provide a home environment which encourages and supports effective communication.
- model, teach and hold their children accountable for appropriate behavior.
- foster and support their children's creative thinking and actions, and help them understand the responsibility that goes along with self-direction.
- model complex thinking and provide opportunities for their children to be complex thinkers.

The Community will

- interact with students to foster effective communication and place value upon youth participation.
- build relationships with youth by supporting programs which involve students, families and community.
- support a variety of opportunities that provide youth with choices that encourage self-improvement.
- provide opportunities for youth to observe and participate in decision making.

**PORTAGE PUBLIC SCHOOLS
Comprehensive Annual Financial Report**

Year Ended June 30, 2007

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FEDERAL PROGRAM AWARD INFORMATION

Issued under
separate cover

INTRODUCTORY SECTION



October 24, 2007

Dear Citizens and Board Members:

The Comprehensive Annual Financial Report of Portage Public Schools (the “School District”) for the fiscal year ended June 30, 2007 is hereby submitted. This report was prepared by the Business Office with assistance from members of the School District’s Executive Administrative Team and contains all activities under the control of the Board of Education. Responsibility for both the accuracy of the information and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This is measured by the School District-wide financial activity and the activity of its various funds with all disclosures necessary to enable the reader to gain an understanding of the School District’s financial activities.

Reporting Entity and Services

Portage Public Schools is an independent reporting entity fully meeting the criteria established by the Governmental Accounting Standards Board. All funds of the School District are included in this report. The School District does not have component units.

The financial section reports separately the district-wide activities, the governmental fund types, and the fiduciary fund type administered by the Board.

Report Organization

This Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section

This section introduces the reader to Portage Public Schools and to this report. This letter of transmittal is designed to complement the management’s discussion and analysis and should be read in conjunction with it. The management’s discussion and analysis can be found in the financial section of this document.

Financial Section

These are the School District's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of the report. In addition to the basic financial statements, this section includes required and other supplemental information.

The management, working for the Board of Education, is responsible for the financial information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information of the effects of certain events and transactions.

The basic financial statements and supplemental information presented in the financial section of this report present fairly and with full disclosure the financial position and results of the financial operation of the funds in conformity with generally accepted accounting principles and demonstrate compliance with finance-related legal and contractual provisions.

The basis for accounting for each fund is consistent with the activities and objectives of the fund as a fiscal and accounting entity.

The required and other supplemental information contains a more detailed analysis of revenues and expenditures that are compared to the 2006-2007 budget for the General Fund. In addition, there are combining schedules shown by fund type with totals that agree with those reflected in the basic financial statements section.

Statistical Section

Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, compare ten years of data, and are intended to reflect economic data, financial trends, and the fiscal capabilities of the School District.

About Portage Public Schools

The Community

The School District, located in southern Kalamazoo County, encompasses more than 42 square miles and lies at the mid-point between Chicago and Detroit, at the junction of I-94 and U.S. 131. It is composed of nearly all of the City of Portage and smaller portions of the City of Kalamazoo, Pavilion and Texas Townships. The School District lies entirely in the County of Kalamazoo.

Portage is in close proximity to Kalamazoo, and as well as its local diversified industry, provides its residents with consistent employment and a higher than average earning potential. Residents may take advantage of many recreational and cultural opportunities. In close proximity are fine museums, restaurants, and entertainment. The Kalamazoo area is a "college town" with Western Michigan University, Kalamazoo College, and Kalamazoo Valley Community College positively impacting the quality of life in the community. Michigan State University and the University of Michigan are also within approximately an hour and one half drive. More than 40 lakes and several riding stables, golf courses, tennis clubs, and ski areas serve the immediate area.

Portage is the lead manufacturing site for the Pfizer Corporation. Pfizer employs over 4,000 people in Kalamazoo County. Portage also is the world-wide headquarters for the Stryker Corporation, which employs over 2,500 people in Kalamazoo County. Portage also is recognized as the retail center of southwest Michigan with Crossroads and Southland Malls providing a significant retail presence in the community.

The Educational Program

The Portage Public School District includes eight elementary schools (K-5), three middle schools (6-8), two high schools (9-12), an alternative community high school program that operates in the District's Community Education Center, a preschool and child daycare program that also is housed in the Community Education Center, a gifted and talented program for second through fifth grade students located in our elementary buildings with a special component for fifth grade students that is housed in our District Administrative Center, a maintenance/transportation/facilities center, and a District Administration building. Each high school site includes a gymnasium, a separate multi-purpose activity building, a performance center and auditorium, specialized facilities for all curriculum areas, a cafeteria and a comprehensive library/media center. Each middle school contains a swimming pool, a gymnasium, a complete library/media center, a performance center, specialized facilities for each curriculum area, and a cafeteria. Elementary schools also have cafeterias, playgrounds, multipurpose rooms, and library/media centers. The School District also owns two undeveloped properties, each containing between 20 and 56 acres approximately.

The Portage Public School District offers a comprehensive educational program for students of all ages. This includes both an assortment of early intervention preschool programs and a wide variety of community education programs. A solid academic curriculum consisting primarily of language arts, mathematics, science, social studies, music, visual arts and physical education is offered at all grade levels. Specific programs for gifted and talented students are provided from second grade through high school. A fee-based after-school foreign language program is offered to elementary students. A foreign language program is offered in grades 7-12. Both of the School District's comprehensive high schools offer the International Baccalaureate program as well as a variety of honors courses in all core areas. Students who attend the School District's high schools are able to participate in an extensive grouping of county-wide academic programs. Included in these offerings are Education for the Arts (EFA) classes, Education for Employment (EFE) classes, and dual enrollment opportunities at Western Michigan University, Kalamazoo College, or Kalamazoo Valley Community College. Technical education programs begin at the middle school and continue through high school. The middle schools and high schools also offer a broad range of extra and co-curricular experiences, including extensive athletics and club-based programs. The School District offers a full continuum of services to meet the needs of students with disabilities.

Technology integration is an important component of our academic program structure. Wired and wireless connections to a robust Intranet system are safely linked through fiber optic cable to the Internet. Technology integration projects are a required part of the curriculum in elementary, middle school and high school coursework. Distance learning experiences and the most up-to-date software and hardware are all part of technology support in each building. Recently, the technology center for the District was equipped with its own power source and with a Storage Area Network (SAN) system that will allow for the greatest level of speed and service to our students and staff while maintaining reasonable controls to protect the system. Parents and students are able to monitor academic progress in grades four through twelve through a creative Parent Internet Viewer (PIV) service that is located on the School District's web site. Student grades are available for viewing within twenty seconds of the teacher's entry. Parents also have the option for pre-programmed messages related to their student's academic achievement status. During the 2005-06 school year the District's wireless infrastructure was strengthened and expanded. Wireless laptop computers were added to the inventory of student accessible computers at each school site. These computers are stored in carts that allow for flexible use in all classroom settings. All teacher computer stations were upgraded during the 2005-06 school year as well. Video streaming was made available to all classrooms and research options were enhanced.

In August, 2005 the School District was informed that Standard and Poor's designated Portage Public Schools as one of 43 "outperformer" school districts in the State of Michigan. State test scores (MEAP) and the low income status of students were the variables considered in making this designation. It was found that of the 553 school districts in the State, only 43 had student test scores beyond expected levels. PPS students demonstrated this exceptional level of performance for the past two years. In 2006 Portage Central High School was named in the top 1,000 high schools nationally. The 2007 ACT scores for Portage were the highest in the area.

As a result of the challenging pre-kindergarten through grade 12 education, which is based on well-defined benchmarks and related assessments, a Portage Public Schools' graduate will be prepared to "...shape the future by contributing intelligently and ethically in an information rich, global society". Portage Public School parents actively support the District and their children through participation in PTO groups, booster clubs, site-based school development teams, specific volunteer groups or District-level committees.

The School District's community enrichment programs and services start with daycare for preschool children and after school care for school age children and continue to senior citizen participation with over 8,800 processed registrations each year. Business partnerships, job placement, enrichment classes, and assistance to non-English speaking members of our community are important components of the School District's program offerings as well. The School District's Community Education Center provides adult education and recreation experiences throughout the year. Some of the programs and services offered through the Community Education Center include the following: English as a Second Language (ESL), GED testing and preparation, leisure/hobby programs, informational seminars/classes, School District facility use, youth day camps, sport programs, technical/vocational training, on line coursework, swimming (instructional and recreational), and business training workshops.

Accomplishments

The School District is utilizing a continuous school improvement planning process and, at the high school level, coordinates this planning with the North Central Association. Annually, the Board of Education works with the administrative staff to develop District goals. These goals are used to help guide building level and administrative goals as well.

The School District's organizational goals for professional development include: State mandates, district goals, curriculum and instruction initiatives, school improvement and individual professional growth. Specifically, our organization focuses on job embedded professional development that supports these areas. In addition to the support given in these areas, all teachers are assigned a mentor teacher to assist them in their orientation into the profession. Further, instructional coaches are provided as needed within the first four years of teaching.

Professional growth is not limited to "one time" conferences and trainings. Teachers are supported to collaborate to plan alternative assessments and instructional strategies for at-risk learners. Lastly, teachers, secretaries, counselors, administrators, assistants, Board of Education members, and parents have opportunities for professional growth.

The School District has an extensive and inclusive system for curriculum review and revision. First, Portage Public Schools has a Curriculum Instruction Council (CIC) with 58 members. These members include K-12 teachers, instructional specialists, parents, and administrators. This committee is charged with reviewing all proposals and initiatives concerning district PreK-12 curriculum, instruction, instructional technology, and assessment. Recommendations from the CIC regarding proposals and initiatives proceed to the District Curriculum Office, to the Superintendent, and to the Board of Education for approval and implementation. The purpose of the CIC is to design, implement, and communicate a district-wide system that will facilitate on-going research into and development of standards, competencies, assessments, vertical/horizontal coordination, and

professional development of curriculum and instruction. (Adopted 1993). In addition to this process, teacher leaders serve to coordinate and facilitate curricular change. These teacher leaders represent each grade level and department in the District. As a part of this process, a Board Curriculum and Accreditation Committee was formed in 1995 to facilitate communication about curriculum and instruction with the full Board and the community. In 2007, the Board Curriculum and Accreditation Committee was expanded to the full Board and will conduct its business during public work sessions.

In 2003, a K-12 cyclical process for curriculum review was adopted by the Board of Education. This process involves an 18-24 month review and revision process that results in a recommendation to the Curriculum Instruction Council. The process involves a K-12 approach to curriculum review and revision and includes K-12 teachers, administrators, parents, community members, university personnel, instructional specialists, and students. As a part of this process, participants complete research, curriculum revision, assessment development, and recommendations for instructional supports. Over the past 10 years, core curriculums with accompanying internal assessments have been developed for all core areas (i.e. Math, Science, Language Arts, Social Studies, and Foreign Language). In addition, curriculum has been written for all elective courses K-8. As a part of this development, K-12 Physical Education, Fine Arts, Business, and Human Growth and Development curricula have been written. All written curricula have been fully implemented.

The School District redesigned its teacher evaluation system to align with current research on best instructional practices. The system includes specific statements of expectations for performance and allows creative alternatives to former classroom observation models.

As a result of the 2002 bond issue, music instruments have been upgraded, technology systems have been improved and all computers, printers and other ancillary technology equipment has been exchanged and upgraded. Floor tile, ceilings and lighting fixtures have been replaced. Cabinetry and storage areas have been replaced and bleacher seating in the secondary schools has been replaced or upgraded. The two high school auditoriums have been completely renovated and athletic fields have seen improvements as well. Building beautification projects and the extensive renovations are changing the face of the School District. All expenditures available from the 2002 bond issue were completed during 2005-2006.

District Planning Process

The School District adopted a planning process called Strategic Management in 2000. This process is well suited to educational environments, which have become increasingly unpredictable. Strategic Management is particularly powerful as a catalyst for innovation within the School District. Utilizing the Strategic Management process, specific strategic issues are identified as opportunities to move closer to our vision and are the focus of detailed strategy formulation.

The District's strategic framework consists of its vision of the future and its mission, and gives our Strategic Management process direction and purpose. Our vision and mission were revised in 2001 to better reflect our desired future.

This process is similar to our past planning practices in that its success depends upon the involvement of our community. Over one hundred members of our school community have been involved in this effort. The team of community members assists the District in researching future trends, analyzing the District's current status, examining and evaluating work that has been accomplished and confirming the direction for future initiatives.

Strategic Management is an ongoing process that pays as much attention to managing the implementation of a strategic initiative, as to the annual review of change initiatives.

For the past four years, Strategic Management initiatives focused on activities that help District staff meet the needs of every student. Most recently, the District is engaged in professional development opportunities that promote differentiated instruction.

In 2003, the Strategic Planning Steering Committee and the Facilitation Council merged into the District Advisory Council. Their primary role is to hear Site-Based proposals and to serve as a representative advisory committee for major District initiatives.

Economic Outlook

As the School District completes its twelfth year under Proposal A, approved by Michigan voters in 1994, it has become apparent, especially in the last few years, that School District revenues will not keep pace with inflation, nor with School District expenditures as we know them. On the revenue side, Proposal A substantially shifted funding responsibility from the local level to the State level and from property tax as the major revenue source. On the expenditure side, Proposal A shifted the funding responsibility for public school retirement to local school Districts. Now the School District is dependent upon the State legislature for not only the majority of its funds, but also its funding level. In addition, significant increases to costs, especially health insurance and retirement, result in additional budget pressures.

In May 2005 a 1.50 county wide enhancement millage for three years, beginning with the 2005/06 school year, was narrowly passed by a majority of voters in the county. This successful millage represents the first enhancement millage approved in the State of Michigan for operational purposes since Proposal A was enacted. Of special note, Portage voters overwhelmingly approved this millage by a 70% to 30% margin. Had this level of support not been present in Portage the county wide millage would have failed. This relatively short term millage is intended to provide local support for schools until the State of Michigan responds to school funding issues across the State.

Historically the School District has done an excellent job of maintaining our fund balance in a narrow range of between seven and ten percent of the following year's expenditure budget. While the School District is financially stable at the present time, the future requires that the School District develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future.

Financial Information

Internal Accounting Controls

Management is responsible for establishing and maintaining internal controls. This is designed to ensure that the assets of the School District are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions of the State of Michigan Uniform Budgeting and Accounting Act and with the annual appropriation budget adopted by the Board of Education. Formal budgetary integration is employed as a management control device throughout the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. Under the guidelines of the State of Michigan's School Accounting Manual (Bulletin 1022), detailed line-item budget information is provided and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. The controls are integrated into the School District's computerized accounting system, which prohibits expenditures exceeding appropriations. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended at least three times during the year to appropriately address variances that occur in enrollment, revenue, and expenditures.

Management believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner. As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Financial Condition at June 30, 2007

Please refer to the Management's Discussion and Analysis section for a summary of the financial condition of the School District at June 30, 2007.

Capital Projects Funding

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition, construction, or major renovation of facilities.

Federal Funding

As a recipient of federal, State, and county financial assistance, the School District is responsible for ensuring that an adequate internal and administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure.

Cash Management

The School District's cash management and investment policy is to maximize return on temporarily idle cash by investing in quality certificates of deposit, pooled investment accounts, and prime commercial paper rated one or two by more than one rating service. The average yield on investments for all funds held at June 30, 2007 was approximately 5.34 percent. Total School District investment income was \$945,011 for the year. These revenues are considered important sources of funding for the General Fund, Special Revenue Funds, Debt Retirement Funds, and Capital Projects Fund.

Risk Management

The School District's management is charged with the responsibility of supervising the protection of the School District's assets by employing various risk management techniques and procedures to reduce, absorb, or transfer risk. The School District carries insurance for general liability and automobile liability. School District property is insured for its replacement value. Management is also responsible for directing the School District's fringe benefits program, which includes the administration of health, life, and other benefits for all full-time and some part-time employees as well as a self-funded insurance plan for workers' compensation claims. The School District is in compliance with the *Right to Know* legislation, including preparation of a Hazard Communication Manual, establishment of directories for all Material Safety Data Sheets, employee training, and the use of labels on all hazardous materials used by the School District.

Independent Audit

The State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was appointed by the Portage Public Schools Board of Education to perform this service for the 2006-2007 fiscal year. In addition, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis. Both of these requirements have been met, and the auditor's report on the financial statements is included herein.

Other Information

Enrollment

In general the School District's enrollment has remained steady over the last few years. The District has experienced pockets of growth through new home construction that has impacted certain facilities that have these areas in their attendance boundaries. At the same time, other buildings have experienced decreased enrollment and thus have some capacity for additional students. A five-year projection of enrollment is done annually using data from the county, city, and the School District. Such information as live births, building permits, cohort survival ratios, and workforce/economic statistics are used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for our planning purposes. The official enrollment for 2006-07 was 8,868 students. Enrollment projections indicate the possibility of some enrollment declines over the next five years. Factors influencing student enrollment during this time period likely will include impacts from the Kalamazoo "Promise" (a program which offers to cover college tuition costs for Kalamazoo Public School graduates), demographic changes such as smaller student populations in lower grade levels, and employment reduction issues such as the loss of Pfizer and Western Michigan jobs during recent months.

Certificate of Excellence

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Portage Public School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the third consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

Certificate of Achievement

This report has also been prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Portage Public Schools for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the second consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report will meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and look forward to GFOA's consideration of this prestigious award.

Acknowledgements

The preparation of this report was accomplished through the commitment and dedication of the entire Business Office staff. We would also like to express our appreciation to other departmental individuals who assisted in the preparation of this report.

This School District is highly committed to a program of excellence. A highly dedicated Board of Education has adopted sound policies that facilitate the continued growth and improvement of the total school program. In addition, there is a wide, all-encompassing array of support provided by parents, students, employees, citizens, civic organizations, and hundreds of volunteers that enable the School District to achieve high goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom G. Noverr". The signature is fluid and cursive, with a long horizontal stroke at the end.

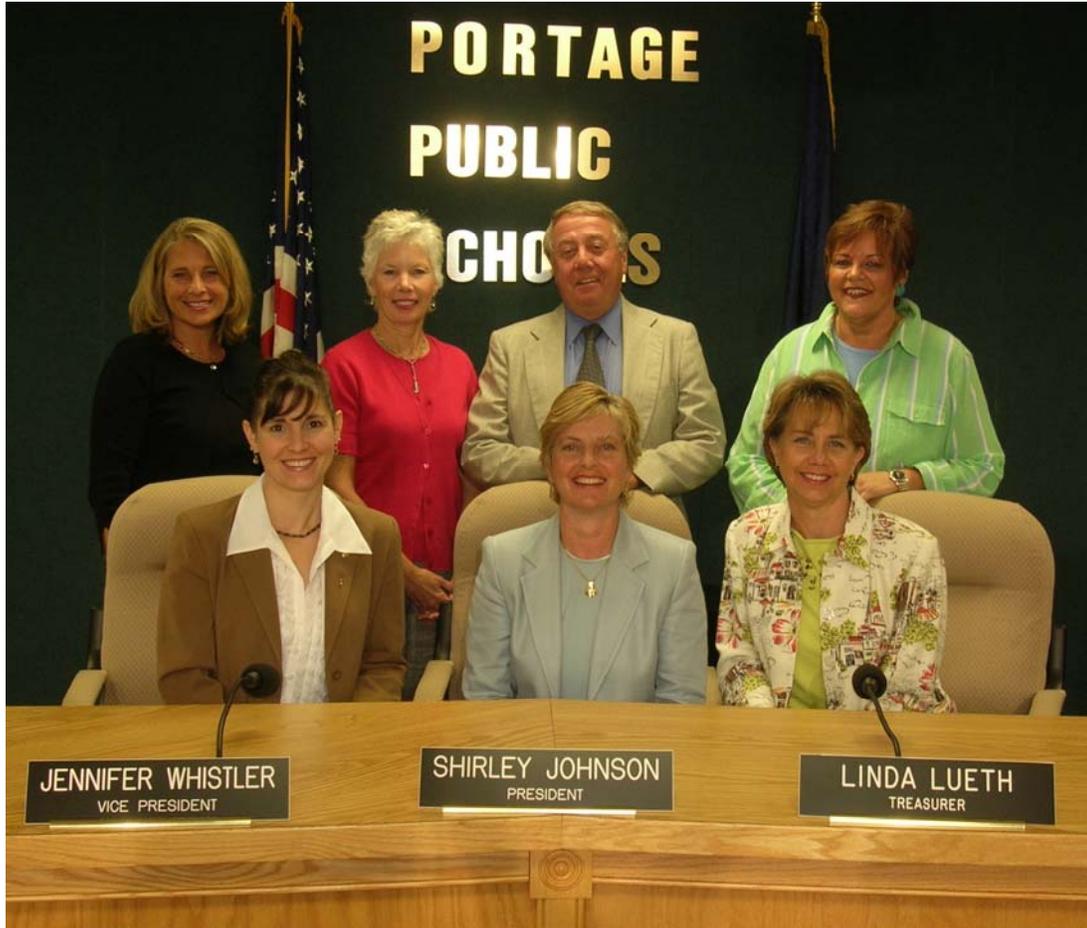
Thomas G. Noverr, CPA
Assistant Superintendent for Operations

A handwritten signature in black ink, appearing to read "Marsha A. Wells". The signature is cursive and includes a long horizontal line extending to the right.

Marsha A. Wells
Superintendent of Schools

Portage Public Schools District Officials

2006-07 Board of Education



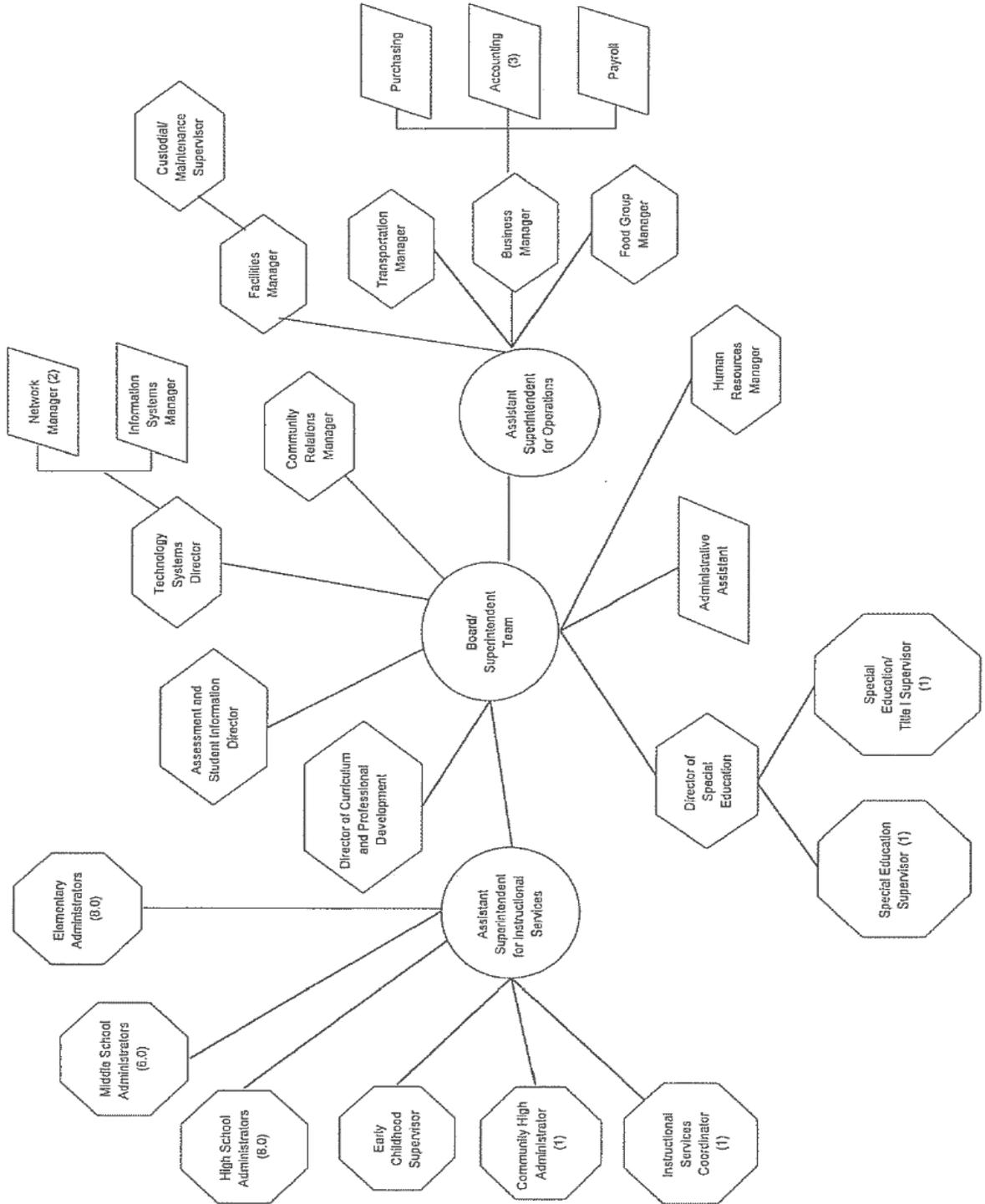
Left to right seated: **Jennifer Whistler** (Board Vice-President, Elected 2004, Term Expires 2008); **Shirley Johnson** (Board President, Elected 2001, Term Expires 2009); **Linda Lueth** (Board Treasurer, Appointed 2002, Term Expires 2007).

Left to right standing: **Wendy Mazer** (Trustee, Elected 2006, Term Expires 2010); **Kathy Howland** (Trustee, Appointed 2004, Term Expires 2007); **Tom Eddy** (Trustee, Elected 1996, Term Expires 2008); **Deb Polderman** (Trustee, Elected 2006, Term Expires 2010).

Central Administration

Dr. Peter McFarlane, Superintendent
Michael Batterson, Technology Systems Director
Denise Bresson, Director of Curriculum and Professional Development
Laurie Montgomery, Director of Special Education
Thomas Noverr, Assistant Superintendent for Operations
Ric Perry, Assistant Superintendent for Instructional Services
Thomas Vance, Community Relations Manager
Daniel Vomastek, Assessment and Student Information Director

PORTAGE PUBLIC SCHOOLS ADMINISTRATIVE ORGANIZATION



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

PORTAGE PUBLIC SCHOOLS

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006**

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Portage Public Schools
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

October 24, 2007

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Portage Public Schools**, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of **Portage Public Schools'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of **Portage Public Schools** as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2007, on our consideration of **Portage Public Schools'** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The introductory section, supplementary information on pages 38-48, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of the Portage Public School's comprehensive annual financial report presents our discussion and analysis of the School District's financial performance for the fiscal years ended June 30, 2007 and 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of basic financial statements and notes to those basic financial statements. These statements are organized so the reader can understand Portage Public Schools financially as a whole. The ***District-wide Financial Statements*** provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund for the year ended June 30, 2007, the General Fund, with all other funds presented in one column as nonmajor governmental funds. The fund financial statement section also includes the General Fund budget and actual comparison statement. The remaining statement, the ***Statement of Fiduciary Assets and Liabilities***, presents financial information about activities for which the School District acts solely as an agent for the benefit of student groups. The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by supplementary information that further explains and supports the basic financial statements. The following figure shows how the various parts of this comprehensive annual financial report are arranged and related to one another:

Management's Discussion and Analysis (MD & A) ***(Required Supplemental Information)***

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Supplementary Information

Statistical Section

Reporting the School District as a Whole - District-wide Financial Statements

The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's basic financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The Statement of Net Assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial position is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as changes in the School District's property tax base, the quality of the education provided, and the condition of the school buildings and other facilities to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community service, athletics, food service, and bookstore. Property taxes, unrestricted State aid (foundation grant allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (the Food Service, Athletic, and Bookstore Special Revenue Funds are examples) or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation included in the basic financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the School District as a Whole

TABLE 1

**Summary of Net Assets
June 30, 2007 and 2006**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$19,799,800	\$19,374,145
Capital assets, net of accumulated depreciation	<u>43,325,275</u>	<u>43,725,428</u>
Total Assets	<u>63,125,075</u>	<u>63,099,573</u>
Liabilities		
Current liabilities	9,039,673	9,664,315
Long-term liabilities	<u>32,514,446</u>	<u>34,668,285</u>
Total Liabilities	<u>41,554,119</u>	<u>44,332,600</u>
Net Assets		
Investment in capital assets, net of related debt	11,520,540	9,565,750
Restricted	2,873,872	2,028,871
Unrestricted	<u>7,176,544</u>	<u>7,172,352</u>
Total Net Assets	<u>\$21,570,956</u>	<u>\$18,766,973</u>

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$21,570,956 and \$18,766,973 at June 30, 2007 and 2006, respectively. The amount invested in capital assets-net of related debt, totaling \$11,520,540, compares the original cost, less accumulated depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. This includes \$1,855,247 for debt service and \$1,018,625 for the building and site sinking fund. The remaining amount of net assets, \$7,176,544, is unrestricted.

Unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General, Food Service, and Athletic funds will have a significant impact on the change in unrestricted net assets.

The School District is able to report positive balances in all three categories of net assets. The investment in capital assets, net of related debt, increased \$1,954,790 as a result of additional funds available for investment into buildings and equipment. In addition, the overall debt of the School District decreased. Please refer to the Capital Assets and Long-Term Debt sections for a discussion of the activity for the year. The increase in the restricted net assets of \$845,001 is a result of increased funds designated for debt service of \$749,068 and sinking fund projects of \$95,933. The change in unrestricted net assets of \$4,192 is primarily the result of increased funds for food service, better than planned results for the general fund, offset by an increase in our compensated absences.

The results of this year's operations for the School District as a whole are reported in the condensed statement of activities (Table 2), which shows the changes in net assets for fiscal years ended June 30, 2007 and 2006.

TABLE 2

**Condensed Statement of Activities
Years Ended June 30, 2007 and 2006**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues		
Program Revenue:		
Charges for services	\$ 4,666,667	\$ 4,968,446
Operating grants and contributions	4,627,582	4,316,463
Capital grants and contributions	-	43,970
General Revenue:		
Property taxes	29,860,123	28,353,553
Unrestricted state aid	45,104,656	45,061,693
Unrestricted grants and contributions	106,894	81,114
Unrestricted Investment earnings	731,481	524,186
Gain on sale of capital assets	<u>1,060,086</u>	<u>-</u>
Total Revenues	<u>86,157,489</u>	<u>83,349,425</u>
Functions/Program Expenses		
Instruction	46,553,501	44,442,474
Supporting services	27,926,063	26,612,890
Community service	2,101,376	1,904,238
Athletics	1,506,012	1,425,479
Bookstore	33,048	35,810
Food service	2,420,686	2,348,868
Interest on long-term debt	1,979,060	2,104,053
Depreciation (unallocated)	<u>833,760</u>	<u>941,422</u>
Total Expenses	<u>83,353,506</u>	<u>79,815,234</u>
Increase in Net Assets	2,803,983	3,534,191
Beginning Net Assets, as Restated	<u>18,766,973</u>	<u>15,232,782</u>
Ending Net Assets	<u>\$21,570,956</u>	<u>\$18,766,973</u>

As reported in the condensed statement of activities, the cost of all of our governmental activities this year was \$83,353,506. Certain activities were partially funded from charges for services from those who benefited from the programs of \$4,666,667, or by other governments and organizations that subsidized certain programs with grants and contributions of \$4,627,582. We paid for the remaining "public benefit" portion of our governmental activities with \$29,860,123 in taxes, \$45,104,656 in unrestricted State aid, grants and contributions not restricted to specific programs of \$106,894, unrestricted investment earnings of \$731,481, and gain on sale of capital assets of \$1,060,086.

The School District experienced an increase in net assets of \$2,803,983. Key reasons for the change in net assets included capitalizable expenditures from the General Fund and the Building and Site Sinking Fund, and the repayment of bond principal. Property tax revenues increased as the District's taxable value increased, and the District continued to receive \$2,838,738 from the regional enhancement millage through K/resa. The increase in net assets differs from the change in fund balance, and a reconciliation is included in the basic financial statements.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may give more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$10,969,101, which is an increase of \$978,755 from last year. The primary reason for the increase is excess revenues over expenditures in the debt retirement, building & site sinking, and food service funds of \$1,482,299. This was offset by the general fund and athletic fund losses of (\$503,544).

In the General Fund, our principal operating fund, the fund balance decreased \$501,399 to \$7,061,546. The School District budgeted a decrease of (\$810,972). The General Fund fund balance is available to fund costs related to allowable school operating purposes.

Our Special Revenue Funds remained stable from the prior year, showing a combined net increase of \$159,556. The Athletics Fund had a net decrease of (\$2,145), and the Food Service Fund had a net increase of \$161,701.

Combined, the Debt Service Funds showed an increase in fund balance of \$610,597. The School District levied 2.2 mills on all property, and this rate was unchanged from the prior year. The 1993 and 1996 bond issues were retired during the year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balances are reserved since they can only be used to pay debt service obligations.

The Building and Site Sinking Fund fund balance increased by \$710,001. This fund levied .5 mills on all property to make improvements to the School District's facilities and property, and this rate was unchanged from the prior year.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the School District amends its budget three times during the school year as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided as part of the basic financial statements. Changes to the General Fund original budget were as follows:

General Fund Revenues and Other Financing Sources

The General Fund Budget for revenues and other financing sources was increased by 1.65% for the year ended June 30, 2007.

Total Revenues and Other Financing Sources Final Budget	\$77,970,663
Total Revenues and Other Financing Sources Original Budget	<u>76,700,979</u>
Increase in Budgeted Revenues and Other Financing Sources	<u>\$ 1,269,684</u>

The School District's actual general fund revenues and other financing sources were less than the final budget by \$260,785, a variance of .33%.

Some of the significant revised budget adjustments for revenue for the year include:

- Property tax and enhancement millage revenues increased \$816,000 from the beginning 2006 valuation through the settlement process.
- State aid foundation grant allowance decreased \$939,000 due to the offsetting property tax valuation increase above, and the School District had slightly lower actual enrollments in the September membership count than were previously budgeted for in June. The foundation grant and equity adjustment amounts per fte were also less than projected.
- Establishment of revenue budget for the sale of the Centre Street property of \$1,227,000.
- Special Education funding through K/resa increased \$74,000 due to increased funding availability.
- Increase in interest earnings of \$125,000.
- Increase in State categorical revenues of \$182,000 from adjustments to awards in existing programs and the new Middle School Math initiative.
- Decrease in childcare and academy fees of \$323,000 due primarily to decreased enrollments at all sites. This was offset by corresponding decreases in costs.

General Fund Expenditures and Other Financing Uses

The School District's budget for expenditures and other financing uses increased by 3.46% for the year ended June 30, 2007.

Total Expenditures and Other Financing Uses Final Budget	\$78,781,635
Total Expenditures and Other Financing Uses Original Budget	<u>76,145,722</u>
Increase in Expenditure Budget	<u>\$ 2,635,913</u>

The School District's actual General Fund expenditures were less than the revised budget by \$570,358, a variance of .72%.

Some of the significant revised budget adjustments for expenditures for the year include:

- Establishment of budget for the completion of the replacement of the West Middle School HVAC system for \$837,000. This project had designated fund balance of \$746,000 for the year ended June 30, 2006.
- Establishment of budget for the replacement of elementary building playground equipment for \$968,000.
- Net increase in salary and all fringe benefits for all employee groups of \$415,000 based on actual staffing and negotiated contracts. The School District also increased its usage of contracted substitute teachers, administrators, and childcare employees during the year, saving mostly on fringe benefit costs.
- Decrease in estimate for utility costs of \$79,000.
- Decrease in estimate for fuel costs of \$27,000.

- Increase in supply and purchased services estimates of \$612,000, primarily in substitute costs, contracted employee costs, maintenance costs, and transfers from our designated fund balance for building supply costs.

Although the School District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$810,972, the actual results for the year show a deficit of \$501,399.

Some of the significant variations between budgeted and actual results for revenues and expenditures are described below:

- Actual revenues and other financing sources were \$260,785 less than expected. This is due to \$159,000 less federal and state grant revenues received as a result of timing on grant spending. Childcare and enrichment fees were also less than expected by \$55,000. Miscellaneous other local revenues were less than projected by \$129,000. These decreases were offset by higher than expected revenues of \$82,000 of interest income, facility rental fees, and property tax revenues recognized due to larger than expected enhancement millage property tax collections received.
- Actual expenditures and other financing uses were \$570,358 less than budget, due primarily to \$442,000 of funds budgeted for the playground equipment replacement not being spent by June 30, 2007. Additional costs of \$301,000 were incurred in salaries and fringe benefits. These were offset by savings of \$429,000 in contracted substitutes, utilities, fuel, building supplies, professional development, and capital outlay funds not being spent.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2007 and 2006, the School District's investment in capital assets for its governmental activities was \$43,325,275 and \$43,725,428 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, furniture and equipment, transportation and maintenance vehicles, assets not yet placed in service, and construction in progress.

**Capital Assets
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Land	\$ 739,310	\$ 768,810
Land improvements	3,357,478	3,511,854
Buildings and improvements	59,425,602	57,655,184
Furniture and equipment	13,587,943	13,407,184
Busses and other vehicles	4,448,150	4,336,605
Assets not yet placed in service	24,771	98,623
Construction in progress	<u>435,554</u>	<u>981,303</u>
 Total Capital Assets	 82,018,808	 80,759,563
Less accumulated depreciation	<u>38,693,533</u>	<u>37,034,135</u>
 Net Capital Assets	 <u>\$43,325,275</u>	 <u>\$43,725,428</u>

The amount represents a net decrease in net capital assets of (\$400,153), or .92% (cost of new additions, less net book value of deletions, less depreciation expense for the year) over the prior year and includes the following capital asset events during 2006-07:

- New busses costing \$423,154 were purchased. (See a description of the financing obtained in the Long-Term Debt section below.)
- The Centre Street property was sold.
- Computers, mobile wireless labs, vehicles, and other equipment were purchased totaling \$561,905.
- Building renovations, roofing, flooring and other projects were completed in several buildings at a cost of \$319,256.
- Replacement of the West Middle School HVAC system was completed at a total cost of \$1,689,451.
- Replacement of the elementary building playground equipment was begun at a cost of \$559,924.

Depreciation expense for the year is \$2,691,278. Some capital projects are planned for the 2007-08 fiscal year funded primarily out of the General Fund and Building and Site Sinking Fund. We present more detailed information on our capital assets in Note IIIC in the basic financial statements.

Long-Term Debt

At June 30, 2007 and 2006, the School District's outstanding debt can be summarized as follows:

	<u>2007</u>	<u>2006</u>
General long-term obligation bonds	\$30,575,000	\$32,962,623
Installment purchase contracts	1,216,976	1,197,055
Compensated absences	540,377	364,340
Obligation under Pay for Performance plan	169,334	129,381
Unamortized bond premium	<u>12,759</u>	<u>14,886</u>
Total	<u>\$32,514,446</u>	<u>\$34,668,285</u>

During the 2006-07 fiscal year, the School District's total debt decreased by \$2,153,839 (6.2 percent). The School District issued \$423,154 in an installment purchase contract for the purchase of busses. Other long-term obligations include employee compensated absences for vacation pay and teachers' sick pay, and the obligation under the pay for performance plan for administrators. During the year ended June 30, 2007, principal payments of \$2,790,856 were made on the outstanding debt. The 1993 and 1996 bond issues were retired in full. The School District's General Obligation Bond rating continues to be "AA-" from Standard and Poor's Rating Services and "A1" from Moody's Investor Services. Additional detailed information regarding long-term debt can be found in Note IIIF in the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and Administration consider many factors when setting the School District's 2007-08 fiscal year budget. Two of the major factors affecting the budget are the student enrollment and the State funding of the foundation grant allowance.

Each year, the School District has enrollment projections prepared. Due to the continued uncertainty of the net number of jobs that would be impacted by the Pfizer, Inc. restructure and student demographics, the School District budgeted for a net loss of 100 students for 2007-08.

As stated earlier in this report, the State foundation grant revenue is determined by multiplying the blended student count by the foundation grant allowance per pupil. As a State aid bill had not been finalized by the time the Board of Education adopted the budget in June, 2007, the School District's Board of Education adopted a budget with a 25/75% blend of the actual February, 2007 and estimated September, 2007 student counts. We used a \$7,085 foundation grant, which was no increase over the foundation grant amount for the 2006-07 fiscal year. As of October 22, 2007, a State aid bill has still not been passed by the Legislature. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is heavily dependent upon State funding and the health of the State's School Aid Fund, the actual funding received depends on the State's ability to collect revenues to fund its appropriations to school districts.

Based on early enrollment data at the start of the 2007-08 school year, we anticipate that the fall student count will be slightly higher than the estimates used in creating the budget.

In 2007, the School District settled labor contracts with the teachers, secretaries, bus drivers, food service, and teamster unions. All 2008 contracts are currently pending negotiations, and much is dependent on the State's approved budget.

Budget reductions were made in various areas both in fiscal 2007 and 2008 in anticipation of financial constraints from the local and State economy. In May, 2005 a 1.5 county wide enhancement millage was passed by the voters in Kalamazoo County. This millage is for three years and continues with the 2007-08 school year. It is intended to provide approximately \$2,800,000 of local support for the School District. As enrollment numbers and state funding are finalized, the School District will amend its budget to respond to these constraints.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office at Portage Public Schools, 8111 S. Westnedge Avenue, Portage, Michigan 49002.

Basic Financial Statements

District-wide Financial Statements

PORTAGE PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,826,455
Investments	9,128,710
Receivables	8,594,329
Inventories and prepaid items	250,306
Capital assets:	
Land and construction in progress	1,199,635
Other capital assets, net of accumulated depreciation	<u>42,125,640</u>
Total assets	<u>63,125,075</u>
Liabilities	
Accounts payable and accrued liabilities	8,452,635
Unearned revenue	587,038
Long-term debt:	
Due within one year	3,973,166
Due in more than one year	<u>28,541,280</u>
Total liabilities	<u>41,554,119</u>
Net assets	
Invested in capital assets, net of related debt	11,520,540
Restricted for:	
Debt service	1,855,247
Building and Site Sinking Fund	1,018,625
Unrestricted	<u>7,176,544</u>
Total net assets	<u><u>\$ 21,570,956</u></u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS

Statement of Activities For the Year Ended June 30, 2007

<u>Functions / Programs</u>	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 46,553,501	\$ 197,849	\$ 2,464,528	\$ (43,891,124)
Supporting services	27,926,063	252,291	1,088,642	(26,585,130)
Community service	2,101,376	2,186,748	-	85,372
Athletics	1,506,012	224,011	5,261	(1,276,740)
Bookstore	33,048	33,048	-	-
Food service	2,420,686	1,772,720	855,623	207,657
Interest on long-term debt	1,979,060	-	213,528	(1,765,532)
Unallocated depreciation	833,760	-	-	(833,760)
	<u>\$ 83,353,506</u>	<u>\$ 4,666,667</u>	<u>\$ 4,627,582</u>	<u>(74,059,257)</u>
Total				

General revenues:

Property taxes, levied for general operations	23,903,719
Property taxes, levied for debt service and capital projects funds	5,956,404
Unrestricted state aid	45,104,656
Grants and contributions not restricted to specific programs	106,894
Unrestricted investment earnings	731,481
Gain on sale of capital assets	1,060,086
Total general revenues	<u>76,863,240</u>
Change in net assets	2,803,983
Net assets, beginning of year, as restated	<u>18,766,973</u>
Net assets, end of year	\$ 21,570,956

The accompanying notes are an integral part of these basic financial statements.

Fund Financial Statements

PORTAGE PUBLIC SCHOOLS

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 1,275,849	\$ 550,606	\$ 1,826,455
Investments	5,900,000	3,228,710	9,128,710
Accounts receivable	212,632	145,891	358,523
Taxes receivable	92,741	14,092	106,833
Due from other governments	8,080,675	40,258	8,120,933
Due from other funds	-	122,552	122,552
Inventory	38,918	26,811	65,729
Prepays	184,577	-	184,577
Notes receivable	-	8,040	8,040
	TOTAL ASSETS	\$ 4,136,960	\$ 19,922,352
	\$ 15,785,392	\$ 4,136,960	\$ 19,922,352
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 372,688	\$ 108,071	\$ 480,759
Salaries and withholdings payable	4,970,027	48,626	5,018,653
Accrued liabilities	2,574,085	12,856	2,586,941
Due to other governments	50,475	-	50,475
Due to other funds	109,143	13,409	122,552
Deferred revenue	647,428	46,443	693,871
	Total liabilities	229,405	8,953,251
	8,723,846	229,405	8,953,251
Fund balances			
Reserved for:			
Inventory	38,918	26,811	65,729
Prepays	184,577	-	184,577
Unreserved:			
Designated	900,520	-	900,520
Designated, reported in nonmajor:			
Special revenue funds	-	80,677	80,677
Undesignated	5,937,531	-	5,937,531
Undesignated, reported in nonmajor:			
Special revenue funds	-	666,136	666,136
Debt service funds	-	2,115,306	2,115,306
Capital projects fund	-	1,018,625	1,018,625
	Total fund balances	3,907,555	10,969,101
	7,061,546	3,907,555	10,969,101
	TOTAL LIABILITIES AND FUND BALANCES	\$ 4,136,960	\$ 19,922,352
	\$ 15,785,392	\$ 4,136,960	\$ 19,922,352

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 10,969,101
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	1,199,635
Add: capital assets being depreciated	80,819,173
Deduct: accumulated depreciation	(38,693,533)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	98,793
Add: other deferred revenues	8,040

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(31,791,976)
Deduct: accrued interest on bonds payable	(260,059)
Deduct: compensated absences	(709,711)
Deduct: unamortized bond premiums	(12,759)
Deduct: estimated claims liability	(55,748)

Net assets of governmental activities	<u>\$ 21,570,956</u>
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The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 27,705,131	\$ 8,314,267	\$ 36,019,398
State sources	46,879,550	120,067	46,999,617
Federal sources	<u>1,339,127</u>	<u>735,556</u>	<u>2,074,683</u>
Total revenues	<u>75,923,808</u>	<u>9,169,890</u>	<u>85,093,698</u>
Expenditures			
Current:			
Instruction	45,616,748	-	45,616,748
Supporting services	28,920,439	-	28,920,439
Community service	2,089,024	-	2,089,024
Athletics	-	1,379,004	1,379,004
Bookstore	-	33,048	33,048
Food service	-	2,411,378	2,411,378
Debt service:			
Principal	396,096	2,394,760	2,790,856
Interest	41,383	2,059,796	2,101,179
Other	-	4,097	4,097
Capital outlay	<u>-</u>	<u>459,820</u>	<u>459,820</u>
Total expenditures	<u>77,063,690</u>	<u>8,741,903</u>	<u>85,805,593</u>
Revenues over (under) expenditures	<u>(1,139,882)</u>	<u>427,987</u>	<u>(711,895)</u>
Other financing sources (uses)			
Issuance of long-term debt	423,154	-	423,154
Proceeds from the sale of capital assets	1,266,906	590	1,267,496
Transfers in	96,010	1,147,587	1,243,597
Transfers out	<u>(1,147,587)</u>	<u>(96,010)</u>	<u>(1,243,597)</u>
Total other financing sources (uses)	<u>638,483</u>	<u>1,052,167</u>	<u>1,690,650</u>
Net change in fund balances	(501,399)	1,480,154	978,755
Fund balances, beginning of year, as restated	<u>7,562,945</u>	<u>2,427,401</u>	<u>9,990,346</u>
Fund balances, end of year	<u><u>\$ 7,061,546</u></u>	<u><u>\$ 3,907,555</u></u>	<u><u>\$ 10,969,101</u></u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 978,755

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	2,498,535
Deduct: depreciation expense	(2,691,278)

Governmental funds report proceeds from the sale of capital assets as an other financing source. However, in the statement of activities, the difference between the sales proceeds and the net book value of the capital assets sold are reported as a gain or loss on disposal.

Deduct: proceeds from the sale of capital assets	(1,267,496)
Add: gain on disposal of capital assets	1,060,086

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: change in deferred property taxes	(315)
Add: payments received on long-term receivables	4,020

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	2,790,856
Deduct: proceeds from issuance of long-term liabilities	(423,154)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable on bonds	123,585
Add: amortization of bond premiums	2,127
Deduct: increase in the accrual for compensated absences	(215,990)
Deduct: change in estimated claims liability	(55,748)

Change in net assets of governmental activities	\$ 2,803,983
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The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Final Budget</u>
Revenues				
Local sources	\$ 27,016,053	\$ 27,807,218	\$ 27,705,131	\$ (102,087)
State sources	47,737,484	47,008,998	46,879,550	(129,448)
Federal sources	1,407,686	1,368,367	1,339,127	(29,240)
	<u>76,161,223</u>	<u>76,184,583</u>	<u>75,923,808</u>	<u>(260,775)</u>
Total revenues				
Expenditures				
Instruction				
Basic program	38,226,238	38,735,390	38,844,668	109,278
Added needs	6,586,020	6,697,375	6,650,944	(46,431)
Adult and continuing education	146,269	118,016	121,136	3,120
	<u>44,958,527</u>	<u>45,550,781</u>	<u>45,616,748</u>	<u>65,967</u>
Total instruction				
Supporting services				
Pupil	4,292,616	4,418,164	4,416,134	(2,030)
Instructional staff	4,810,293	4,875,449	4,809,249	(66,200)
General administration	759,292	899,142	865,518	(33,624)
School administration	3,832,174	3,874,630	4,009,476	134,846
Business	881,959	919,838	922,762	2,924
Operations and maintenance	7,445,821	9,233,834	8,730,675	(503,159)
Transportation	3,281,677	3,154,501	3,067,718	(86,783)
Central support	2,035,174	2,125,470	2,098,907	(26,563)
	<u>27,339,006</u>	<u>29,501,028</u>	<u>28,920,439</u>	<u>(580,589)</u>
Total supporting services				
Community service				
	<u>2,236,687</u>	<u>2,130,945</u>	<u>2,089,024</u>	<u>(41,921)</u>
Debt service				
Principal	396,095	396,093	396,096	3
Interest	41,372	41,387	41,383	(4)
	<u>437,467</u>	<u>437,480</u>	<u>437,479</u>	<u>(1)</u>
Total debt service				
Total expenditures				
	<u>74,971,687</u>	<u>77,620,234</u>	<u>77,063,690</u>	<u>(556,544)</u>
Revenues over expenditures				
	<u>1,189,536</u>	<u>(1,435,651)</u>	<u>(1,139,882)</u>	<u>295,769</u>

continued...

PORTAGE PUBLIC SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (Concluded)
For the Year Ended June 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Other financing sources (uses)				
Issuance of long-term debt	\$ 423,154	\$ 423,154	\$ 423,154	\$ -
Proceeds from the sale of capital assets	25,000	1,266,908	1,266,906	(2)
Transfers in	91,602	96,018	96,010	(8)
Transfers out	(1,174,035)	(1,161,401)	(1,147,587)	13,814
Total other financing sources (uses)	<u>(634,279)</u>	<u>624,679</u>	<u>638,483</u>	<u>13,804</u>
Net change in fund balance	555,257	(810,972)	(501,399)	309,573
Fund balance, beginning of year, as restated	<u>7,562,945</u>	<u>7,562,945</u>	<u>7,562,945</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 8,118,202</u></u>	<u><u>\$ 6,751,973</u></u>	<u><u>\$ 7,061,546</u></u>	<u><u>\$ 309,573</u></u>

The accompanying notes are an integral part of these basic financial statements.

PORTAGE PUBLIC SCHOOLS
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2007

Assets

Cash and cash equivalents	\$ 118,217
Investments	<u>603,355</u>
Total assets	<u><u>\$ 721,572</u></u>

Liabilities

Due to student groups	<u><u>\$ 721,572</u></u>
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The accompanying notes are an integral part of these basic financial statements.

Notes to the Basic Financial Statements

PORTAGE PUBLIC SCHOOLS

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Notes to the Basic Financial Statements

June 30, 2007

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PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Portage Public Schools (the “School District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

A. Reporting entity

The School District has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the School District.

B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School District had no business-type activities during the year ended June 30, 2007.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted State aid, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, although the agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the School District reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes, where there is a need to determine the results of operations. The School District's special revenue funds include athletics, bookstore, and food service operations.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements.

The *Agency Fund* accounts for assets held for student groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

D. Assets, liabilities, and fund balance

1. *Deposits and investments*

The School District's cash and cash equivalents are considered to be cash on hand and demand deposits which include savings and checking accounts.

Investments are reported at fair value based on quoted market prices and include certificates of deposit.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

3. *Property taxes*

Property taxes are assessed as of December 31, and attach as an enforceable lien on property on July 1 and December 1 of the following year. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28 before they are added to the delinquent tax rolls.

The delinquent real property taxes of the School District are purchased by Kalamazoo County. These taxes have been recorded as revenue for the current year. Uncollected personal property taxes are carried as assets of the General, Capital Projects, and Debt Service Funds. Property taxes that are not collected within sixty days of the end of the fiscal year are classified as deferred revenues. Uncollected delinquent personal property taxes are written off after three years.

4. *Inventory and prepaid items*

General Fund inventories are stated at the lower of average cost or market, and consist primarily of maintenance supplies, textbooks, teaching supplies and natural gas. The cost is recorded as an expenditure when consumed rather than when purchased. Inventories of the Special Revenue Funds consist primarily of government food commodities, which are donated and recorded at fair value. Donated government commodities are recorded as revenue when they are received. Certain prepayments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements. Reported inventories and prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

5. *Capital assets*

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,000 or computer equipment with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives (land is not depreciated):

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	5-10
Equipment	5-20

6. *Compensated absences*

Vacation and Sick Pay – Vacation days are earned by most year-round employees at rates specified under contractual provisions. Retiring/terminated employees are paid for unused accumulated vacation days. The School District’s sick pay policy allows for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick days are forfeited, except for teachers who receive an incentive if they have more than 50 days accumulated in their sick leave bank when they retire. It is the School District’s policy to recognize the cost of sick leave at the time payments are made.

The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated vacation days for year-round employees and accumulated sick days for teachers who are at least 55 years old and have ten or more years of service. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

7. *Deferred revenue*

Childcare and community enrichment fees received, which relate to future periods, are recorded as deferred revenue. Property taxes are deferred as described above. Receipts in excess of cost on grants are recorded as deferred revenue until spent or refunded to the grantor.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

8. Long-term obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

9. Fund balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis. State law requires the School District to have its budget in place by July 1. Districts are permitted to amend their budgets during the year. There were no significant amendments.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

C. Sinking Fund

The Building and Site Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Michigan Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

D. Excess of expenditures over appropriations

Budget to actual comparisons for the General Fund are presented in the fund financial statements at a level of detail greater than the legal level of budgetary control. Budgets are approved at the broad functional level. The District incurred expenditures in excess of appropriated amounts in the general fund instruction function. The final budgeted amount was \$45,550,781 and \$45,616,748 was incurred in expenditures, resulting in a budget to actual variance of \$65,967.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets and Liabilities is as follows:

Statement of Net Assets

Cash and cash equivalents	\$ 1,826,455
Investments	9,128,710

Statement of Fiduciary Assets and Liabilities

Agency Funds:	
Cash and cash equivalents	118,217
Investments	<u>603,355</u>

\$ 11,676,737

Cash on hand	\$ 1,910
Bank deposits (checking accounts, savings accounts and CDs)	<u>11,674,827</u>

\$ 11,676,737

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Statutory Authority

Michigan law authorizes the School District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The School District's investment policy allows for all of these types of investments.

Deposits and investments

As of year end, the School District's cash and investment balances were comprised of bank deposits and cash on hand.

Deposit and investment risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned. State law does not require and the School District does not have a policy for deposit custodial credit risk. As of year end, \$12,583,440 of the School District's bank balance of \$13,111,153 was exposed to custodial credit risk because it was uninsured and uncollateralized. The School District utilizes an investment advisor to assist it in diversifying its investment portfolio by maintaining concentration limits for both types of investments and specific institutions.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

B. Receivables

Receivables as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 212,632	\$ 145,891	\$ 358,523
Taxes	92,741	14,092	106,833
Intergovernmental	8,080,675	40,258	8,120,933
Notes	-	8,040	8,040
Total receivables	<u>\$ 8,386,048</u>	<u>\$ 208,281</u>	<u>\$ 8,594,329</u>

C. Capital assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 768,810	\$ -	\$ 29,500	\$ 739,310
Assets not yet placed in service	98,623	-	73,852	24,771
Construction in progress	981,303	435,554	981,303	435,554
Total capital assets not being depreciated	1,848,736	435,554	1,084,655	1,199,635
Capital assets being depreciated:				
Land improvements	3,511,854	354,596	508,972	3,357,478
Buildings and improvements	57,655,184	1,878,251	107,833	59,425,602
Equipment	13,407,184	429,644	248,885	13,587,943
Vehicles	4,336,605	455,645	344,100	4,448,150
Total capital assets being depreciated	78,910,827	3,118,136	1,209,790	80,819,173
Less accumulated depreciation for:				
Land improvements	1,779,972	106,446	387,217	1,499,201
Buildings and improvements	24,075,051	784,191	83,264	24,775,978
Equipment	8,574,777	1,396,329	217,299	9,753,807
Vehicles	2,604,335	404,312	344,100	2,664,547
Total accumulated depreciation	37,034,135	2,691,278	1,031,880	38,693,533
Total capital assets being depreciated, net	41,876,692	426,858	177,910	42,125,640
Governmental activities capital assets, net	<u>\$ 43,725,428</u>	<u>\$ 862,412</u>	<u>\$ 1,262,565</u>	<u>\$ 43,325,275</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

For the year ended June 30, 2007, depreciation expense was charged to the functions/programs of the School District as follows:

Governmental activities:

Instruction	\$ 759,255
Supporting services	937,477
Community service	14,145
Athletics	121,931
Food service	24,710
Unallocated depreciation	<u>833,760</u>

Total governmental activities **\$ 2,691,278**

The School District has active construction projects at year end. At June 30, 2007, the School District has commitments with contractors of approximately \$400,000 in the General Fund.

D. Payables

Accounts payable and accrued liabilities as of year end for the School District's individual major funds and nonmajor funds in the aggregate, are as follows:

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
Fund Financial Statements:			
Accounts payable	\$ 372,688	\$ 108,071	\$ 480,759
Salaries and withholdings payable	4,970,027	48,626	5,018,653
Accrued liabilities	2,574,085	12,856	2,586,941
Due to other governments	<u>50,475</u>	<u>-</u>	<u>50,475</u>
	<u>\$ 7,967,275</u>	<u>\$ 169,553</u>	8,136,828
District-wide Financial Statements:			
Accrued interest payable			260,059
Estimated claims liability			<u>55,748</u>
Total accounts payable and accrued liabilities			<u>\$8,452,635</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

E. Interfund receivables, payables, and transfers

At June 30, 2007, interfund receivables and payables consisted of the following:

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ 109,143	\$ -
Nonmajor governmental funds	<u>13,409</u>	<u>122,552</u>
	<u>\$ 122,552</u>	<u>\$ 122,552</u>

For the year ended June 30, 2007, interfund transfers consisted of the following:

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$1,147,587	\$ 96,010
Nonmajor governmental funds	<u>96,010</u>	<u>1,147,587</u>
	<u>\$ 1,243,597</u>	<u>\$ 1,243,597</u>

The School District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2007, the School District transferred funds to provide funds for athletic activities and transfer indirect costs.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

F. Long-term debt

Long-term debt and other obligations of the School District at June 30, 2007 are summarized as follows:

	Long-Term Debt Outstanding at July 1, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Long-Term Debt Outstanding at June 30, <u>2007</u>	Amount Due Within <u>One Year</u>
2002 General Obligation Building and Site Bonds, \$11,885,000, due in annual installments of \$450,000 to \$1,870,000 through May 1, 2014, with interest at 2% to 5%. Purpose of issue: Construction, renovation, and reequipping at all buildings	\$ 8,995,000	\$ -	\$ 775,000	\$ 8,220,000	\$ 850,000
1999 Refunding Bonds, \$24,170,000, due in annual installments of \$125,000 to \$2,750,000 through May 1, 2019, with interest at 3.1% to 5.0%. Purpose of issue: Partial refunding of 1993 and 1996 bond issues	22,515,000	-	160,000	22,355,000	2,430,000
1996 General Obligation Building and Site Serial Bonds, \$18,185,000, due in annual installments of \$580,000 to \$1,470,000 through May 1, 2007, with interest at 4.15% to 6.0%. Purpose of issue: Construction, renovation, and reequipping at all buildings	900,000	-	900,000	-	-
1993 General Obligation Building and Site Serial Bonds, \$19,847,950, due in annual installments of \$35,000 to \$1,050,000 through May 1, 2007, with interest at 3.8% to 5.625%. Purpose of issue: construct Moorsbridge Elementary; renovate, reequip, and improve sites at other buildings	552,623	-	552,623	-	-
Various vehicle installment purchase contracts, due in annual installments of \$7,000 to \$89,453, with interest at 4.13% to 5.60%	<u>1,197,055</u>	<u>423,154</u>	<u>403,233</u>	<u>1,216,976</u>	<u>380,456</u>
Total Installment Debt	34,159,678	423,154	2,790,856	31,791,976	3,660,456
Compensated absences	364,340	465,066	289,029	540,377	280,583
Pay for Performance Plan	129,381	39,953	-	169,334	30,000
Unamortized bond premium	<u>14,886</u>	<u>-</u>	<u>2,127</u>	<u>12,759</u>	<u>2,127</u>
Total Long-Term Debt	<u>\$ 34,668,285</u>	<u>\$ 928,173</u>	<u>\$ 3,082,012</u>	<u>\$ 32,514,446</u>	<u>\$ 3,793,166</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

Future principal and interest payment requirements on outstanding debt are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 3,660,456	\$ 1,356,627	\$ 5,017,083
2009	3,405,572	1,219,429	4,625,001
2010	3,614,309	1,083,787	4,698,096
2011	3,816,092	937,067	4,753,159
2012	4,095,022	778,568	4,873,590
2013-2017	11,310,525	1,521,112	12,831,637
2018-2019	1,890,000	143,750	2,033,750
	<u>\$ 31,791,976</u>	<u>\$ 7,040,340</u>	<u>\$ 38,832,316</u>

Installment purchase contracts, compensated absences, and obligations under the Pay for Performance plan are generally liquidated by the general fund.

G. Fund balance reservations and designations

Following is a schedule of the reservations and designations of fund balances by fund type:

	<u>General Fund</u>	<u>Nonmajor Funds</u>
Reserved for:		
Inventory	\$ 38,918	\$ 26,811
Prepays	184,577	-
Unreserved:		
Designated for:		
Subsequent year's budget deficit	310,043	-
Site-based building expenditures	148,152	-
Elementary school playgrounds	442,325	-
Site ownership of athletics revenue	-	80,677
Undesignated	<u>5,937,531</u>	<u>3,800,067</u>
Total fund balance	<u>\$ 7,061,546</u>	<u>\$ 3,907,555</u>

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

IV. OTHER INFORMATION

A. Risk management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District is a participant in a public entity risk pool through SET-SEG. This program provides substantially all the insurance needs of the District, including property, general liability, automobile, and umbrella premium. Payments made for the year ended June 30, 2007, were approximately \$254,000. The contributions made by the District fund the program at rates predicated on expected losses, excess insurance premium contribution, and administration costs, including appropriate state assessment. The possibility of additional claims exist but the amount of liability to the School District would be immaterial by the time the aggregate stop-loss coverages are triggered.

The School District is self-insured for workers' compensation on a pay-as-you-go basis for claims up to \$300,000, with reinsurance coverage provided once claims exceed \$755,108 in the aggregate. The self-insurance program is administered by a third party administrator. All workers' compensation benefits are paid out of the General and Food Service funds. Changes in the estimated liability are as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 40,600	\$ 96,200
Estimated claims incurred	204,841	100,156
Claim payments	<u>(185,150)</u>	<u>(155,756)</u>
Estimated liability, end of year	<u>\$ 60,291</u>	<u>\$ 40,600</u>

The School District is self-insured for dental and vision coverage on a pay-as-you-go basis. The self-insurance program is administered by a third party administrator. Dental and vision benefits are paid out of the fund to which each employee's wages are charged. Changes in the estimated liability are as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 12,600	\$ 6,500
Estimated claims incurred	177,735	163,480
Claim payments	<u>(176,435)</u>	<u>(157,380)</u>
Estimated liability, end of year	<u>\$ 13,500</u>	<u>\$ 12,600</u>

Of the above estimated claim liabilities, the School District records \$18,043 in accounts payable in the General Fund, as it represents a current liability. The balance of \$55,748 is accrued on the District-Wide Statement of Net Assets. The School District pays unemployment claims on a reimbursement basis. The School District continues to carry commercial insurance for all other risks of loss, including employee life, health, and accident insurance. In the last three years settled amounts have not exceeded the insurance coverage held by the School District.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

B. Defined benefit pension plan

Plan Description

The School District contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 17.74% of annual covered payroll. The contribution requirements of plan members and the School District are established by Michigan State statute and may be amended only by action of the State Legislature. The School District's contributions to MPSERS for the years ended June 30, 2007, 2006, and 2005 were \$7,848,601, \$7,050,557, and \$6,355,916, respectively, equal to the required contributions for each year. The School District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for the fully paid subsidy of the Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

C. Early retirement incentive plan

Certain teachers and administrators of the School District have elected to participate in an early retirement incentive program established by the School District for teachers and administrators meeting various eligibility requirements. The expenditures for this plan were \$195,692 for the year ended June 30, 2007. There was no outstanding long-term liability under this plan at year-end. However, a current liability was recorded in the fund financial statement for \$22,082, which represents benefits paid shortly after year-end.

D. Deferred compensation plans

Pay for Performance Plan. The School District offers its administrators a pay for performance plan created in accordance with Section 457 of the Internal Revenue Code (IRC). Administrators participate in and invest in the plan based upon certain length of employment criteria. Final payments are made in a lump sum distribution or in two installment payments when the administrator retires. The vested benefits of the pay for performance plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. At June 30, 2007, the following summarizes the amounts held in the trust:

Balance in Trust Fund	\$ 136,435
Amounts due from General Fund for additional vested benefits	<u>32,899</u>
Total Vested Benefits	<u>\$ 169,334</u>

The total vested benefits are equal to the associated long term liability of \$169,334.

Employee Retirement Contributions. Certain employees have contributed funds to qualified retirement trusts under Section 457 of the IRC. At June 30, 2007, the amounts held under trust were \$28,101.

E. Operating lease

The District has entered into an operating lease agreement for its copier equipment which expires in October 2007. Remaining lease payments total \$101,361.

PORTAGE PUBLIC SCHOOLS

Notes to the Basic Financial Statements

F. Subsequent event

After June 30, 2007, the District entered into an installment purchase agreement in the amount of \$162,184 to finance the purchase of two new buses.

G. Prior period adjustment

Beginning fund balance of the general fund was decreased by \$27,710 to account for Title I carryover funds returned to the Michigan Department of Education. The District is entitled to carry over up to 15% of any award each year. However, the District may request a special exemption to this requirement once every three years. In order to keep from losing a larger amount of funding from the 2006-2007 allocation, the District agreed to retroactively disallow \$27,710 of 2006-2007 carryover funding, and return it to the State.

Beginning fund balance of the general fund was decreased by \$9,635 to account for a prior year over expenditure of Title I funds.

These adjustments resulted in a total decrease to beginning fund balance of the general fund and net assets of governmental activities of \$37,345.

* * * * *

**Combining and Individual Fund
Financial Statements and Schedules**

Portage Public Schools Nonmajor Governmental Funds For the Year Ended June 30, 2007

Special Revenue Funds are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Athletics Fund – This fund is used to account for the District’s athletic programs. Revenues consist of gate receipts and local contributions. Expenditures consist of personnel costs, entrance fees, and transportation costs.

Bookstore Fund – This fund was established to account for activity of the high school bookstores.

Food Service Fund – This fund is used to account for the revenue and expenditures of the school lunch program. Revenues consist of sales of food and federal and state government subsidies.

Debt Service Funds are used to account for the accumulation of resources for payment of principal and interest on long-term debt.

1993 Debt Service – This fund accounts for payments on the 1993 General Obligation Building and Site Serial Bonds issued for the construction of Moorsbridge Elementary and the renovation and site improvements at other buildings.

1996 Debt Service – This fund accounts for payments on the 1996 General Obligation Building and Site Serial bonds issued for construction, re-equipping, and renovations at all buildings.

1999 Debt Service – This fund accounts for payments on the 1999 Refunding Bonds issued as a partial refunding of the 1993 and 1996 Bonds.

2002 Debt Service – This fund accounts for payments on the 2002 General Obligation Building and Site Bonds issued for construction, re-equipping, and renovations at all buildings.

Capital Projects Funds are used to account for construction projects of the District.

Building and Site Sinking Fund – This fund accounts for general school improvements. Financing is provided by a property tax levy.

PORTAGE PUBLIC SCHOOLS
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		
<u>ASSETS</u>	Athletics	Bookstore	Food Service
Assets			
Cash and cash equivalents	\$ 5,111	\$ -	\$ 545,495
Investments	-	-	-
Accounts receivable	-	-	125,014
Taxes receivable	-	-	-
Due from other governments	-	-	40,258
Due from other funds	111,607	-	10,833
Inventory	-	-	26,811
Notes receivable	-	-	-
TOTAL ASSETS	\$ 116,718	\$ -	\$ 748,411
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 1,257	\$ -	\$ 4,452
Salaries and withholdings payable	25,951	-	22,675
Accrued liabilities	8,833	-	4,023
Due to other funds	-	-	-
Deferred revenue	-	-	24,314
Total liabilities	36,041	-	55,464
Fund Balances			
Reserved for inventory	-	-	26,811
Unreserved:			
Designated for site ownership of athletics revenue	80,677	-	-
Undesignated	-	-	666,136
Total fund balances	80,677	-	692,947
TOTAL LIABILITIES AND FUND BALANCES	\$ 116,718	\$ -	\$ 748,411

Debt Service Funds				Capital Projects	Total
1993	1996	1999	2002	Building and Site Sinking Fund	Nonmajor Governmental Funds
Debt Service	Debt Service	Debt Service	Debt Service		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 550,606
-	-	1,043,141	1,060,690	1,124,879	3,228,710
-	-	5,631	5,730	9,516	145,891
-	-	5,732	5,732	2,628	14,092
-	-	-	-	-	40,258
-	-	56	56	-	122,552
-	-	-	-	-	26,811
-	-	-	-	8,040	8,040
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,560</u>	<u>\$ 1,072,208</u>	<u>\$ 1,145,063</u>	<u>\$ 4,136,960</u>
\$ -	\$ -	\$ -	\$ -	\$ 102,362	\$ 108,071
-	-	-	-	-	48,626
-	-	-	-	-	12,856
-	-	-	-	13,409	13,409
-	-	5,731	5,731	10,667	46,443
-	-	5,731	5,731	126,438	229,405
-	-	-	-	-	26,811
-	-	-	-	-	80,677
-	-	1,048,829	1,066,477	1,018,625	3,800,067
-	-	1,048,829	1,066,477	1,018,625	3,907,555
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,560</u>	<u>\$ 1,072,208</u>	<u>\$ 1,145,063</u>	<u>\$ 4,136,960</u>

PORTAGE PUBLIC SCHOOLS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Athletics</u>	<u>Bookstore</u>	<u>Food Service</u>
Revenues			
Local sources	\$ 229,272	\$ 33,048	\$ 1,820,677
State sources	-	-	120,067
Federal sources	-	-	735,556
	<hr/>	<hr/>	<hr/>
Total revenues	229,272	33,048	2,676,300
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Athletics	1,379,004	-	-
Bookstore	-	33,048	-
Food service	-	-	2,411,378
Debt service:			
Principal	-	-	7,137
Interest	-	-	664
Other	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	1,379,004	33,048	2,419,179
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(1,149,732)	-	257,121
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Proceeds from the sale of capital assets	-	-	590
Transfers in	1,147,587	-	-
Transfers out	-	-	(96,010)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	1,147,587	-	(95,420)
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,145)	-	161,701
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	82,822	-	531,246
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	<u>\$ 80,677</u>	<u>\$ -</u>	<u>\$ 692,947</u>

Debt Service Funds				Capital Projects	Total
1993	1996	1999	2002	Building and Site Sinking Fund	Nonmajor Governmental Funds
Debt Service	Debt Service	Debt Service	Debt Service		
\$ 800,355	\$ 635,478	\$ 1,808,907	\$ 1,816,205	\$ 1,170,325	\$ 8,314,267
-	-	-	-	-	120,067
-	-	-	-	-	735,556
<u>800,355</u>	<u>635,478</u>	<u>1,808,907</u>	<u>1,816,205</u>	<u>1,170,325</u>	<u>9,169,890</u>
-	-	-	-	-	1,379,004
-	-	-	-	-	33,048
-	-	-	-	-	2,411,378
552,623	900,000	160,000	775,000	-	2,394,760
667,377	47,250	990,650	353,855	-	2,059,796
1,189	776	854	774	504	4,097
-	-	-	-	459,820	459,820
<u>1,221,189</u>	<u>948,026</u>	<u>1,151,504</u>	<u>1,129,629</u>	<u>460,324</u>	<u>8,741,903</u>
<u>(420,834)</u>	<u>(312,548)</u>	<u>657,403</u>	<u>686,576</u>	<u>710,001</u>	<u>427,987</u>
-	-	-	-	-	590
-	-	-	-	-	1,147,587
-	-	-	-	-	(96,010)
-	-	-	-	-	1,052,167
(420,834)	(312,548)	657,403	686,576	710,001	1,480,154
<u>420,834</u>	<u>312,548</u>	<u>391,426</u>	<u>379,901</u>	<u>308,624</u>	<u>2,427,401</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,048,829</u>	<u>\$ 1,066,477</u>	<u>\$ 1,018,625</u>	<u>\$ 3,907,555</u>

PORTAGE PUBLIC SCHOOLS
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	<u>Athletics</u>		Over (Under) Budget
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Local sources	\$ 232,937	\$ 229,272	\$ (3,665)
State sources	-	-	-
Federal sources	-	-	-
	<u>232,937</u>	<u>229,272</u>	<u>(3,665)</u>
Total revenues			
Expenditures			
Current:			
Athletics	1,429,338	1,379,004	(50,334)
Bookstore	-	-	-
Food service	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>1,429,338</u>	<u>1,379,004</u>	<u>(50,334)</u>
Total expenditures			
Revenues over (under) expenditures	<u>(1,196,401)</u>	<u>(1,149,732)</u>	<u>46,669</u>
Other financing sources (uses)			
Proceeds from the sale of capital assets	-	-	-
Transfers in	1,161,401	1,147,587	(13,814)
Transfers out	-	-	-
	<u>1,161,401</u>	<u>1,147,587</u>	<u>(13,814)</u>
Total other financing sources (uses)			
Net change in fund balances	(35,000)	(2,145)	32,855
Fund balances, beginning of year	<u>82,822</u>	<u>82,822</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 47,822</u></u>	<u><u>\$ 80,677</u></u>	<u><u>\$ 32,855</u></u>

Bookstore			Food Service		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$ 34,000	\$ 33,048	\$ (952)	\$ 1,854,658	\$ 1,820,677	\$ (33,981)
-	-	-	120,069	120,067	(2)
-	-	-	740,818	735,556	(5,262)
<u>34,000</u>	<u>33,048</u>	<u>(952)</u>	<u>2,715,545</u>	<u>2,676,300</u>	<u>(39,245)</u>
-	-	-	-	-	-
34,000	33,048	(952)	-	-	-
-	-	-	2,444,631	2,411,378	(33,253)
-	-	-	7,000	7,137	137
-	-	-	1,350	664	(686)
<u>34,000</u>	<u>33,048</u>	<u>(952)</u>	<u>2,452,981</u>	<u>2,419,179</u>	<u>(33,802)</u>
-	-	-	262,564	257,121	(5,443)
-	-	-	-	590	590
-	-	-	-	-	-
-	-	-	(96,010)	(96,010)	-
-	-	-	(96,010)	(95,420)	590
-	-	-	166,554	161,701	(4,853)
-	-	-	531,246	531,246	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,800</u>	<u>\$ 692,947</u>	<u>\$ (4,853)</u>

PORTAGE PUBLIC SCHOOLS
Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets				
Cash and cash equivalents	\$ 82,496	\$ 1,554,459	\$ 1,518,738	\$ 118,217
Investments	575,000	70,721	42,366	603,355
Total assets	<u>\$ 657,496</u>	<u>\$ 1,625,180</u>	<u>\$ 1,561,104</u>	<u>\$ 721,572</u>
Liabilities				
Due to student groups	<u>\$ 657,496</u>	<u>\$ 1,625,180</u>	<u>\$ 1,561,104</u>	<u>\$ 721,572</u>

PORTAGE PUBLIC SCHOOLS
Schedule of Capital Assets Used in the Operation of Governmental Activities
June 30, 2007

Building/Location	Land		Buildings and	
	Land	Improvements	Improvements	Equipment
Amberly Elementary	\$ 19,600	\$ 199,724	\$ 1,934,252	\$ 418,227
Angling Road Elementary	23,600	162,807	2,606,124	377,766
Central Elementary ¹	99,823	18,550	2,874,573	343,837
Haverhill Elementary	34,032	60,031	2,000,541	329,030
Lake Center Elementary	89,435	122,377	992,394	314,774
Moorsbridge Elementary	-	145,087	6,171,844	404,488
Waylee Elementary	16,000	21,531	1,623,594	309,248
Woodland Elementary	54,670	108,120	3,182,359	355,352
Central Middle School	-	146,566	4,706,045	781,485
North Middle School	-	261,375	3,962,870	864,034
West Middle School ²	198,000	426,160	7,218,904	890,228
Central High School ³	80,300	919,064	8,748,356	1,953,826
Northern High School ⁴	62,400	556,367	11,089,646	2,220,364
Community Education Center	-	49,130	1,118,080	180,398
Administration Building	-	115,929	741,462	3,573,137
Transportation	-	44,660	126,330	24,367
Maintenance & Operations	-	-	328,228	247,382
12th Street	41,450	-	-	-
South Westnedge	20,000	-	-	-
Total capital assets	\$ 739,310	\$ 3,357,478	\$ 59,425,602	\$ 13,587,943

¹ Land includes McCamley Field

² Land includes Moorsbridge Elementary

³ Land includes Central Middle School, Administration, Maintenance and Operations, and Transportation

⁴ Land includes North Middle School and Community Education Center

Vehicles	Construction in Progress	Assets not Yet Placed in Service	Total
\$ -	\$ 24,902	\$ -	\$ 2,596,705
-	-	-	3,170,297
-	144,396	-	3,481,179
-	88,239	-	2,511,873
-	9,595	-	1,528,575
-	16,041	-	6,737,460
-	25,799	-	1,996,172
-	-	-	3,700,501
-	-	-	5,634,096
-	-	-	5,088,279
-	-	-	8,733,292
-	-	-	11,701,546
-	-	-	13,928,777
-	126,582	-	1,474,190
-	-	24,771	4,455,299
4,442,355	-	-	4,637,712
5,795	-	-	581,405
-	-	-	41,450
-	-	-	20,000
\$ 4,448,150	\$ 435,554	\$ 24,771	\$ 82,018,808

PORTAGE PUBLIC SCHOOLS
Schedule of Bonded Indebtedness
June 30, 2007

<u>Year Ending June 30,</u>	<u>1999 Debt Principal</u>	<u>2002 Debt Principal</u>
2008	\$ 2,430,000	\$ 850,000
2009	2,535,000	600,000
2010	2,510,000	890,000
2011	2,570,000	1,100,000
2012	2,635,000	1,325,000
2013	2,695,000	1,585,000
2014	2,750,000	1,870,000
2015	720,000	-
2016	780,000	-
2017	840,000	-
2018	905,000	-
2019	985,000	-
	<u>\$ 22,355,000</u>	<u>\$ 8,220,000</u>
Principal payments due	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1
Interest rates	3.10%-5.00%	2.0%-5.0%
Original issue	<u>\$ 24,170,000</u>	<u>\$ 11,885,000</u>

PORTAGE PUBLIC SCHOOLS

Schedule of Deposits and Investments

June 30, 2007

General Fund

Checking and Savings Accounts:

Flagstar Bank	\$ 1,232,606	
Huntington Bank	27,713	
Accident Fund Insurance Company of America	15,530	
Total Checking and Savings Accounts	<u>1,275,849</u>	\$ 1,275,849

Investments:

Citizens Bank Certificate of Deposit	1,000,000	
Flagstar Bank Certificate of Deposit	3,400,000	
Irwin Union Bank Certificate of Deposit	1,500,000	
Total Investments	<u>5,900,000</u>	
Total General Fund		\$ 7,175,849

Special Revenue Funds

Food Service Fund:

Checking and Savings Accounts:		
Flagstar Bank	<u>545,495</u>	

Athletic Fund:

Checking and Savings Accounts:		
Flagstar Bank	<u>5,111</u>	
Total Special Revenue Funds		550,606

Debt Service Funds

Checking and Savings Accounts:

Flagstar Bank	<u>150,831</u>	
---------------	----------------	--

Investments:

Huntington Bank Certificate of Deposit	<u>1,953,000</u>	
Total Debt Service Funds		2,103,831

Capital Projects Fund

Checking and Savings Accounts:

Flagstar Bank	<u>129,879</u>	
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Investments:

Citizens Bank Certificate of Deposit	775,000	
Flagstar Bank Certificate of Deposit	<u>220,000</u>	
	<u>995,000</u>	
Total Capital Projects Fund		1,124,879

Agency Fund

Checking and Savings Accounts:

Flagstar Bank	<u>118,217</u>	
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Investments:

Irwin Union Bank Certificate of Deposit	353,355	
Flagstar Bank Certificate of Deposit	<u>250,000</u>	
	<u>603,355</u>	
Total Agency Fund		721,572

Total All Funds		<u>\$ 11,676,737</u>
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STATISTICAL SECTION
(Unaudited)

Statistical Section

This part of the Portage Public Schools comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School District's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the School District's operations and resources to help the reader understand how the School District's financial information relates to the services the School District provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The School District implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

Financial Trends

PORTAGE PUBLIC SCHOOLS
Net Assets by Component (Unaudited)
Last Five Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 338,219	\$ 3,673,429	\$ 7,631,831	\$ 9,565,750	\$ 11,520,540
Restricted:					
Debt service	104,630	867,988	729,776	1,106,179	1,855,247
Building and Site Sinking Fund	880,421	748,281	597,264	922,692	1,018,625
Total Restricted	<u>985,051</u>	<u>1,616,269</u>	<u>1,327,040</u>	<u>2,028,871</u>	<u>2,873,872</u>
Unrestricted	<u>6,492,941</u>	<u>6,509,585</u>	<u>6,273,911</u>	<u>7,172,352</u>	<u>7,176,544</u>
Total Primary Government Net Assets	<u>\$ 7,816,211</u>	<u>\$ 11,799,283</u>	<u>\$ 15,232,782</u>	<u>\$ 18,766,973</u>	<u>\$ 21,570,956</u>

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Changes in Governmental Net Assets (Unaudited)
Last Five Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental Activities:					
Instruction	\$ 40,668,552	\$ 40,969,953	\$ 41,626,329	\$ 44,442,474	\$ 46,553,501
Supporting Services	26,074,708	24,947,520	25,875,805	26,612,890	27,926,063
Community Service	1,669,402	1,658,295	1,770,866	1,904,238	2,101,376
Athletics	1,366,536	1,464,972	1,440,323	1,425,479	1,506,012
Bookstore	33,410	44,239	42,578	35,810	33,048
Food Service	1,855,166	2,011,293	2,196,763	2,348,868	2,420,686
Interest on long-term debt	1,926,207	2,312,053	2,154,940	2,104,053	1,979,060
Unallocated depreciation	970,826	814,932	786,977	941,422	833,760
Total governmental activities	<u>74,564,807</u>	<u>74,223,257</u>	<u>75,894,581</u>	<u>79,815,234</u>	<u>83,353,506</u>
Program Revenues:					
Charges for Services:					
Instruction	588,350	537,325	570,716	580,144	197,849
Supporting services	102,636	83,517	298,253	302,542	252,291
Community Services	1,614,123	1,730,950	1,976,416	2,099,323	2,186,748
Athletics	199,065	238,133	251,420	249,098	224,011
Bookstore	33,410	44,239	42,578	35,810	33,048
Food Service	1,344,389	1,484,842	1,605,025	1,701,529	1,772,720
Operating grants and contributions	3,347,229	3,179,395	3,701,677	4,353,808	4,627,582
Capital grants and contributions	-	-	-	43,970	-
Total program revenue	<u>7,229,202</u>	<u>7,298,401</u>	<u>8,446,085</u>	<u>9,366,224</u>	<u>9,294,249</u>
Net (expense) revenue	<u>(67,335,605)</u>	<u>(66,924,856)</u>	<u>(67,448,496)</u>	<u>(70,449,010)</u>	<u>(74,059,257)</u>
General Revenues:					
Property taxes, levied for general operations	16,760,928	18,394,834	19,050,637	22,820,905	23,903,719
Property taxes, levied for debt service and capital projects funds	6,357,534	6,697,231	7,215,978	5,532,648	5,956,404
Unrestricted state aid	46,109,748	45,222,735	44,241,772	45,061,693	45,104,656
Grants and contributions not restricted to specific programs	33,997	29,689	35,492	81,114	106,894
Unrestricted investment earnings	367,620	227,189	345,963	524,186	731,481
Gain (loss) on sale of capital assets	-	7,088	(7,847)	-	1,060,086
Total general revenues	<u>69,629,827</u>	<u>70,578,766</u>	<u>70,881,995</u>	<u>74,020,546</u>	<u>76,863,240</u>
Change in net assets	<u>\$ 2,294,222</u>	<u>\$ 3,653,910</u>	<u>\$ 3,433,499</u>	<u>\$ 3,571,536</u>	<u>\$ 2,803,983</u>

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Fund Balances
All Governmental Fund Types (Unaudited)
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:					
Reserved for:					
Inventory	\$ 155,651	\$ 159,542	\$ 174,736	\$ 140,088	\$ 69,626
Prepays	104,642	221,193	163,890	244,827	129,503
Unreserved:					
Designated for:					
Durant settlement-future programs	2,006,781	1,681,958	1,365,285	1,341,957	1,045,182
Site-based building expenditures	89,998	164,769	200,673	180,397	166,719
West Middle School HVAC System	-	-	-	-	-
Elementary School Playground Equipment	-	-	-	-	-
Subsequent year's budget	-	-	-	-	-
Undesignated	4,821,925	4,610,171	5,470,786	4,782,682	4,982,146
Total general fund	\$ 7,178,997	\$ 6,837,633	\$ 7,375,370	\$ 6,689,951	\$ 6,393,176
All Other Governmental Funds:					
Reserved for:					
Inventory	\$ 37,675	\$ 63,534	\$ 47,730	\$ 49,995	\$ 11,400
Prepays	-	-	-	-	11,511
Encumbrances	56,213	403,441	-	-	-
Unreserved:					
Designated for:					
Site Ownership of Athletics Revenue	68,002	99,028	123,903	138,369	163,094
Subsequent year's budget	11,672	-	-	-	-
Capital projects	-	-	375,000	750,000	-
Undesignated, reported in:					
Special revenue funds	38,700	143,583	215,280	322,518	356,955
Capital projects funds	9,680,162	3,870,682	156,892	247,724	2,945,418
Debt service funds	638,506	825,946	1,041,073	1,254,000	1,267,321
Total all other governmental funds	\$ 10,530,930	\$ 5,406,214	\$ 1,959,878	\$ 2,762,606	\$ 4,755,699
Total all funds	\$ 17,709,927	\$ 12,243,847	\$ 9,335,248	\$ 9,452,557	\$ 11,148,875

Source: Portage Public Schools Audit Reports

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 65,114	\$ 54,815	\$ 29,867	\$ 320,392	\$ 38,918
140,602	125,931	118,103	158,471	184,577
760,383	155,055	1,040,847	1,069,907	-
146,075	151,056	143,545	154,796	148,152
-	-	-	745,759	-
-	-	-	-	442,325
-	914,852	-	-	310,043
5,073,538	5,127,265	5,306,189	5,150,965	5,937,531
<u>\$ 6,185,712</u>	<u>\$ 6,528,974</u>	<u>\$ 6,638,551</u>	<u>\$ 7,600,290</u>	<u>\$ 7,061,546</u>
\$ 24,222	\$ 25,947	\$ 30,590	\$ 25,442	\$ 26,811
-	-	-	-	-
-	-	-	-	-
108,255	128,937	103,469	82,822	80,677
-	21,947	-	-	-
-	-	-	-	-
435,690	457,156	447,441	505,804	666,136
10,162,445	5,655,494	1,196,161	308,624	1,018,625
540,378	867,988	1,133,652	1,504,709	2,115,306
<u>\$ 11,270,990</u>	<u>\$ 7,157,469</u>	<u>\$ 2,911,313</u>	<u>\$ 2,427,401</u>	<u>\$ 3,907,555</u>
<u>\$ 17,456,702</u>	<u>\$ 13,686,443</u>	<u>\$ 9,549,864</u>	<u>\$ 10,027,691</u>	<u>\$ 10,969,101</u>

PORTAGE PUBLIC SCHOOLS
Changes in Fund Balances
All Governmental Fund Types (Unaudited)
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenue:					
Local revenue	\$ 21,371,866	\$ 22,294,396	\$ 23,436,738	\$ 23,789,348	\$ 27,675,919
State revenue	40,731,558	38,449,638	39,624,171	42,624,056	46,387,146
Federal revenue	1,091,385	1,391,043	1,392,423	1,311,392	1,339,718
Total revenue	63,194,809	62,135,077	64,453,332	67,724,796	75,402,783
Expenditures					
Current:					
Instruction	33,345,651	33,384,697	34,227,942	36,408,555	40,609,738
Supporting services	18,593,707	19,998,625	20,240,596	22,122,976	24,711,730
Community Service	1,257,128	1,334,333	1,403,461	1,529,371	1,442,934
Athletics	1,034,149	1,048,885	1,027,145	1,171,196	1,269,174
Bookstore	23,547	20,715	21,265	21,879	31,527
Food Service	1,292,251	1,449,948	1,617,984	1,648,316	1,833,498
Debt Service:					
Principal	1,374,556	1,541,957	2,056,319	2,233,520	2,483,053
Interest	1,883,550	1,369,119	1,576,105	1,512,114	1,494,640
Other	7,974	4,208	2,359	4,599	6,741
Capital Outlay-Facilities Acquisition/Construction	9,259,835	7,584,235	5,211,578	1,494,314	5,046,581
Total expenditures	68,072,348	67,736,722	67,384,754	68,146,840	78,929,616
Excess of Revenue Over (Under) Expenditures	(4,877,539)	(5,601,645)	(2,931,422)	(422,044)	(3,526,833)
Other Financing Sources (Uses):					
Issuance of long-term debt	534,000	573,374	-	523,391	5,223,718
Debt premium or discount	-	-	-	-	-
Proceeds from advance refunding of debt	-	24,170,000	-	-	-
Payment to refunded bond escrow agent	-	(24,610,000)	-	-	-
Proceeds from the sale of capital assets	16,382	2,191	22,823	15,962	26,738
Transfers in	975,436	936,629	950,647	1,021,976	1,140,925
Transfers out	(975,436)	(936,629)	(950,647)	(1,021,976)	(1,140,925)
Total other financing sources (uses)	550,382	135,565	22,823	539,353	5,250,456
Net change in fund balances	(4,327,157)	(5,466,080)	(2,908,599)	117,309	1,723,623
Fund Balances-beginning of year	22,037,084	17,709,927	12,243,847	9,335,248	9,452,557
Prior period adjustment	-	-	-	-	(27,305)
Fund Balances, beginning of year, restated	22,037,084	17,709,927	12,243,847	9,335,248	9,425,252
Fund Balances-End of year	\$ 17,709,927	\$ 12,243,847	\$ 9,335,248	\$ 9,452,557	\$ 11,148,875
Debt service as a percentage of noncapital expenditures	5.88%	5.09%	6.21%	5.58%	5.42%

Source: Portage Public Schools Audit Reports

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 27,461,001	\$ 29,545,576	\$ 31,597,814	\$ 34,496,207	\$ 36,019,398
48,148,004	46,957,989	46,120,834	46,787,647	46,999,617
1,178,530	1,374,361	1,714,248	2,037,954	2,074,683
76,787,535	77,877,926	79,432,896	83,321,808	85,093,698
40,226,031	40,572,153	41,251,848	43,868,227	45,616,748
24,850,809	24,475,794	24,948,939	27,093,544	28,920,439
1,671,183	1,705,664	1,769,309	1,892,476	2,089,024
1,359,543	1,364,108	1,357,237	1,401,534	1,379,004
33,410	44,239	42,578	35,810	33,048
1,855,888	2,069,951	2,295,092	2,368,429	2,411,378
4,819,303	3,724,687	3,961,696	2,544,317	2,790,856
1,773,482	2,338,092	2,168,927	2,107,826	2,101,179
5,849	8,735	10,963	1,764	4,097
5,909,841	5,792,968	5,840,356	1,955,403	459,820
82,505,339	82,096,391	83,646,945	83,269,330	85,805,593
(5,717,804)	(4,218,465)	(4,214,049)	52,478	(711,895)
12,289,037	409,296	66,410	386,987	423,154
23,393	-	-	-	-
-	-	-	-	-
-	-	-	-	-
36,206	38,910	11,060	38,362	1,267,496
4,706,872	2,847,882	2,830,601	1,182,389	1,243,597
(4,706,872)	(2,847,882)	(2,830,601)	(1,182,389)	(1,243,597)
12,348,636	448,206	77,470	425,349	1,690,650
6,630,832	(3,770,259)	(4,136,579)	477,827	978,755
11,148,875	17,456,702	13,686,443	9,549,864	10,027,691
(323,005)	-	-	-	(37,345)
10,825,870	17,456,702	13,686,443	9,549,864	9,990,346
\$ 17,456,702	\$ 13,686,443	\$ 9,549,864	\$ 10,027,691	\$ 10,969,101
8.61%	8.03%	7.48%	5.72%	5.88%

PORTAGE PUBLIC SCHOOLS
Summary of Government-wide Expenses by Function (Unaudited)
Last Five Fiscal Years*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Instruction	\$ 40,668,552	\$ 40,969,953	\$ 41,626,329	\$ 44,442,474	\$ 46,553,501
Supporting Services	26,074,708	24,947,520	25,875,805	26,612,890	27,926,063
Community Service	1,669,402	1,658,295	1,770,866	1,904,238	2,101,376
Athletics	1,366,536	1,464,972	1,440,323	1,425,479	1,506,012
Bookstore	33,410	44,239	42,578	35,810	33,048
Food Service	1,855,166	2,072,293	2,196,763	2,348,868	2,420,686
Interest on long-term debt	1,926,207	2,312,053	2,154,940	2,104,053	1,979,060
Unallocated depreciation	970,826	814,932	786,977	941,422	833,760
Total	<u>\$ 74,564,807</u>	<u>\$ 74,284,257</u>	<u>\$ 75,894,581</u>	<u>\$ 79,815,234</u>	<u>\$ 83,353,506</u>

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS
Summary of Government-wide Revenues (Unaudited)
Last Five Fiscal Years*

<u>Revenue</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Charges for services:					
Instruction	\$ 588,350	\$ 537,325	\$ 570,716	\$ 580,144	\$ 197,849
Supporting services	102,636	83,517	298,253	302,542	252,291
Community Services	1,614,123	1,730,950	1,976,416	2,099,323	2,186,748
Athletics	199,065	238,133	251,420	249,098	224,011
Bookstore	33,410	44,239	42,578	35,810	33,048
Food Service	1,344,389	1,484,842	1,605,025	1,701,529	1,772,720
Total charges for services	3,881,973	4,119,006	4,744,408	4,968,446	4,666,667
Operating grants/contributions:					
Instruction	2,182,435	1,766,475	2,050,007	2,188,509	2,464,528
Supporting services	476,784	685,115	838,586	1,160,687	1,088,642
Community service	26,746	2,513	-	-	-
Athletics	-	-	-	65,556	5,261
Food service	608,401	697,361	749,306	797,131	855,623
Interest on long-term debt	52,863	27,931	63,778	141,925	213,528
Total operating grants/contributions	3,347,229	3,179,395	3,701,677	4,353,808	4,627,582
Capital grants/contributions:					
Athletics	-	-	-	43,970	-
General revenue:					
Property taxes	23,118,462	25,092,065	26,266,615	28,353,553	29,860,123
Unrestricted state aid	46,109,748	45,222,735	44,241,772	45,061,693	45,104,656
Grants and contributions not restricted to specific programs	33,997	90,689	35,492	81,114	106,894
Unrestricted investment earnings	367,620	227,189	345,963	524,186	731,481
Gain (loss) on sale of capital assets	-	7,088	(7,847)	-	1,060,086
Total general revenue	69,629,827	70,639,766	70,881,995	74,020,546	76,863,240
Total revenues	\$ 76,859,029	\$ 77,938,167	\$ 79,328,080	\$ 83,386,770	\$ 86,157,489

*Portage Public Schools adopted GASB #34 in 2003.

Source: Portage Public Schools Audit Reports

PORTAGE PUBLIC SCHOOLS

Summary of Expenditures by Function-All Governmental Fund Types (Unaudited)

Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Instruction	\$ 33,345,651	\$ 33,384,697	\$ 34,227,942	\$ 36,408,555	\$ 40,609,738
Supporting Services	18,593,707	19,998,624	20,240,596	22,122,976	24,718,471
Community Service	1,257,128	1,334,333	1,403,461	1,529,371	1,442,934
Athletics	1,034,149	1,048,885	1,027,145	1,171,196	1,269,174
Bookstore	23,547	20,715	21,265	21,879	31,527
Food Service	1,292,251	1,449,948	1,617,984	1,648,316	1,833,498
Capital Outlay	9,259,835	7,584,235	5,211,578	1,494,314	5,046,581
Debt Service	3,266,080	2,915,284	3,634,783	3,750,233	3,977,693
Total	<u>\$ 68,072,348</u>	<u>\$ 67,736,721</u>	<u>\$ 67,384,754</u>	<u>\$ 68,146,840</u>	<u>\$ 78,929,616</u>

Source: Portage Public Schools Audit Reports

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 40,226,031	\$ 40,572,153	\$ 41,251,848	\$ 43,868,227	\$ 45,616,748
24,850,809	24,475,794	24,948,939	27,093,544	28,920,439
1,671,183	1,705,664	1,769,309	1,892,476	2,089,024
1,359,543	1,364,108	1,357,237	1,401,534	1,379,004
33,410	44,239	42,578	35,810	33,048
1,855,888	2,069,951	2,295,092	2,368,429	2,411,378
5,909,841	5,792,968	5,840,356	1,955,403	459,820
6,598,634	6,071,514	6,141,586	4,653,907	4,896,132
<hr/>				
<u>\$ 82,505,339</u>	<u>\$ 82,096,391</u>	<u>\$ 83,646,945</u>	<u>\$ 83,269,330</u>	<u>\$ 85,805,593</u>

PORTAGE PUBLIC SCHOOLS
Summary of Governmental Revenues and Other Financing Sources
All Governmental Fund Types* (Unaudited)
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:					
Property taxes	\$ 11,473,761	\$ 12,073,938	\$ 12,782,913	\$ 12,664,803	\$ 14,185,087
Other local sources	1,896,256	2,041,006	2,378,529	2,561,367	2,529,133
Intermediate sources	2,367,837	2,509,177	2,543,081	2,696,973	2,970,269
State sources	40,715,436	38,362,180	39,570,177	42,529,314	46,306,443
Federal sources	713,436	979,892	937,401	876,971	855,695
Proceeds from issuance of debt	534,000	573,374	-	473,431	608,718
Other financing sources	-	-	-	-	-
Total General Fund	57,700,726	56,539,567	58,212,101	61,802,859	67,455,345
Special Revenue Funds:					
Local	1,099,941	1,269,185	1,371,206	1,455,894	1,527,920
State	16,122	87,458	53,994	94,742	80,703
Federal	377,949	411,151	455,022	434,421	484,023
Incoming Transfers	975,436	936,629	950,647	1,021,976	1,089,425
Proceeds from the sale of capital assets	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	49,960	-
Total Special Revenue Funds	2,469,448	2,704,423	2,830,869	3,056,993	3,182,071
Debt Retirement Funds:					
Property taxes	2,967,860	3,145,780	3,313,949	3,378,531	3,677,449
Interest and other	162,164	192,512	214,487	248,238	163,242
Proceeds of bond refunding	-	24,170,000	-	-	-
Incoming transfers	-	-	-	-	51,500
Total Debt Retirement Funds	3,130,024	27,508,292	3,528,436	3,626,769	3,892,191
Capital Projects Fund:					
Property Taxes	642,343	680,919	717,319	731,298	2,507,347
Other Local Sources	33,484	48,666	52,855	68,206	98,558
Total Capital Projects Fund	675,827	729,585	770,174	799,504	2,605,905
Construction Fund:					
Bond proceeds	-	-	-	-	4,615,000
Interest and other	744,602	335,404	85,222	-	43,652
Incoming transfers	-	-	-	-	-
Total Construction Fund	744,602	335,404	85,222	-	4,658,652
Total Revenues and Other Financing Sources	\$ 64,720,627	\$ 87,817,271	\$ 65,426,802	\$ 69,286,125	\$ 81,794,164

Source: Portage Public Schools Audit Reports

¹Reduction in property tax revenue due to levying only .5 mills in 2006 and 2007.

²Increase in other financing sources due to proceeds from sale of Centre Street Property.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	13,663,933	\$ 14,801,189	\$ 15,874,318	\$ 16,628,194	\$ 17,611,160
	2,599,791	2,631,059	3,312,466	3,871,522	3,827,342
	2,958,804	3,197,519	3,102,212	6,236,225	6,266,629
	48,056,797	46,852,696	46,016,677	46,676,102	46,879,550
	661,336	782,294	1,069,101	1,352,371	1,339,127
	404,037	409,296	66,410	386,987	423,154
	-	99,910	95,494	129,736	1,362,916 ²
	68,344,698	68,773,963	69,536,678	75,281,137	77,709,878
	1,580,646	1,769,902	1,905,663	2,049,932	2,082,997
	91,207	105,294	104,157	111,545	120,067
	517,194	592,066	645,147	685,583	735,556
	1,105,639	1,146,657	1,080,349	1,090,789	1,147,587
	-	-	2,150	226	590
	-	-	-	-	-
	3,294,686	3,613,919	3,737,466	3,938,075	4,086,797
	3,733,182	3,982,140	4,234,508	4,466,660	4,730,022
	105,781	235,030	119,865	175,614	330,923
	-	-	-	-	-
	1,576,050	1,640,225	1,663,668	-	-
	5,415,013	5,857,395	6,018,041	4,642,274	5,060,945
	2,545,347	2,715,091	2,887,164	1,013,872 ¹	1,080,030 ¹
	91,791	124,748	87,575	32,799	90,295
	2,637,138	2,839,839	2,974,739	1,046,671	1,170,325
	11,885,000	-	-	-	-
	205,119	88,898	74,043	21,389	-
	2,025,183	-	-	-	-
	14,115,302	88,898	74,043	21,389	-
\$	93,806,837	\$ 81,174,014	\$ 82,340,967	\$ 84,929,546	\$ 88,027,945

Revenue Capacity

PORTAGE PUBLIC SCHOOLS

Assessed Taxable Value and Estimated Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Tax Year	Taxable Value by Property Type						
	Real Property					Personal Property	Less Renaissance Zone
	Agricultural	Commercial	Industrial	Residential			
1997	\$ 1,911,289	\$ 206,285,344	\$ 117,618,991	\$ 753,726,704	\$ 270,915,100	\$ -	
1998	2,043,636	216,173,403	123,338,955	804,583,807	283,794,200	-	
1999	1,972,881	231,004,159	133,767,669	841,503,451	297,481,800	-	
2000	1,981,038	248,821,985	138,527,530	880,928,468	265,676,600	-	
2001	2,100,367	267,237,010	154,377,812	932,962,390	321,903,800	-	
2002	2,079,174	308,172,980	149,222,350	988,628,149	317,094,300	-	
2003	2,159,945	318,044,215	126,994,494	1,043,586,564	325,444,100	-	
2004	2,117,836	334,748,951	142,936,522	1,112,844,638	335,166,669	-	
2005	2,097,171	355,812,512	155,862,579	1,181,599,820	335,728,789	(310,693)	
2006	1,436,794	378,597,527	166,436,576	1,267,536,089	317,196,749	(2,138,466)	

Source: Kalamazoo County Equalization Department

Department of Treasury Form L-4025 from every municipality in the School District

Note: Under Michigan law, the revenue base is Taxable Value. Property is assessed at 50% of estimated market value. Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year

Total Taxable Value	Taxable Valuation			Tax Rate (Mills)		Assessment	Market Value
	Homestead	Non-homestead	Total	Homestead	Non-homestead	Percentage	
\$ 1,350,457,428	\$ 707,884,995	\$ 642,572,433	\$ 1,350,457,428	2.6762	20.6762	50%	\$ 2,700,914,856
1,429,934,001	756,622,242	673,311,759	1,429,934,001	2.6762	20.6762	50%	2,859,868,002
1,505,729,960	791,131,472	714,598,488	1,505,729,960	2.6762	20.6762	50%	3,011,459,920
1,535,935,621	828,705,470	707,230,151	1,535,935,621	2.6762	20.6762	50%	3,071,871,242
1,678,581,379	897,718,369	780,863,010	1,678,581,379	3.7000	21.7000	50%	3,357,162,758
1,765,196,953	950,959,516	814,237,437	1,765,196,953	3.7000	21.7000	50%	3,530,393,906
1,816,229,318	982,292,577	833,936,741	1,816,229,318	3.7000	21.7000	50%	3,632,458,636
1,927,814,616	1,045,431,200	882,383,416	1,927,814,616	3.7000	21.7000	50%	3,855,629,232
2,030,790,178	1,108,777,387	922,012,791	2,030,790,178	2.7000	20.7000	50%	4,061,580,356
2,129,065,269	1,175,818,763	953,246,506	2,129,065,269	2.7000	20.7000	50%	4,258,130,538

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Rates Levied on Property within the School District
Direct and Overlapping Governments
(Per \$1,000 Assessed Value) (Unaudited)
Last Ten Fiscal Years

Millage Rates - Direct School District Taxes							
Operating					Total Direct Taxes		
Tax Year	Fiscal year ended June 30,	Homestead	Non-homestead ¹	Debt ²	Sinking Fund ²	Homestead	Non- homestead
1997	1998	-	18.0000	2.2000	0.4762	2.6762	20.6762
1998	1999	-	18.0000	2.2000	0.4762	2.6762	20.6762
1999	2000	-	18.0000	2.2000	0.4762	2.6762	20.6762
2000	2001	-	18.0000	2.2000	0.4762	2.6762	20.6762
2001	2002	-	18.0000	2.2000	1.5000	3.7000	21.7000
2002	2003	-	18.0000	2.2000	1.5000	3.7000	21.7000
2003	2004	-	18.0000	2.2000	1.5000	3.7000	21.7000
2004	2005	-	18.0000	2.2000	1.5000	3.7000	21.7000
2005	2006	-	18.0000	2.2000	0.5000	2.7000	20.7000
2006	2007	-	18.0000	2.2000	0.5000	2.7000	20.7000

¹ Millage limitation for school districts in the State of Michigan

² Debt and sinking fund millages apply to homestead and non-homestead property

³ Rates for tax year 1997 included with the City of Portage

⁴ Includes 1.5 Regional Enhancement Millage which is allocated on a per pupil fte basis among the School Districts in Kalamazoo County.

Source: 1997-2006 Kalamazoo County Apportionment Reports

Overlapping Taxes

State Education	Kalamazoo County	City of Portage	City of Kalamazoo	Pavilion Township	Texas Township	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	Kalamazoo District Library	Portage District Library
6.0000	5.8405	11.3340	21.1079	0.9070	0.9238	3.0500	2.8231	4.0000	- ³
6.0000	6.1400	10.1770	21.1440	0.9012	0.9183	3.0500	2.8231	4.0000	1.4200
6.0000	6.1400	10.1000	21.5667	0.8925	0.9117	3.0416	2.8151	0.3958	1.3800
6.0000	6.1400	10.0000	21.5667	0.8831	0.9042	3.0416	2.8151	3.9583	1.4900
6.0000	6.1400	10.0000	21.5667	0.8791	0.9025	3.0416	2.8151	3.9583	1.4900
6.0000	6.1362	10.3017	21.9205	0.8741	0.8938	3.0416	2.8139	3.9583	1.4900
5.0000	6.1362	10.1442	21.9205	0.8635	0.8846	3.0416	2.8139	3.9583	1.4900
6.0000	6.1362	10.1442	22.1405	0.8551	0.8741	3.0416	2.8135	3.9583	1.4900
6.0000	6.1362	10.1442	22.1405	0.8516	0.8677	4.5416 ⁴	2.8135	3.9583	1.4900
6.0000	6.1362	10.1442	21.9049	0.8516	0.8583	4.5416 ⁴	2.8135	3.9583	1.4900

PORTAGE PUBLIC SCHOOLS
Summary of Property Tax Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	1998	1999	2000	2001	2002
Total Tax Levy	\$ 15,083,208	\$ 15,900,637	\$ 16,814,181	\$ 16,774,632	\$ 20,369,883
Current Tax Collections:					
To March 1	14,823,121	15,636,716	16,220,537	16,365,507	19,865,461
To June 30	15,056,244	15,878,732	16,767,969	16,706,372	20,306,776
Percentages of Collections:					
Current to March 1	98.28%	98.34%	96.47%	97.56%	97.52%
Current to June 30	99.82%	99.86%	99.73%	99.59%	99.69%
Total Delinquent Property Taxes-Current Year	\$ 260,087	\$ 263,921	\$ 593,644	\$ 409,125	\$ 504,422
Total Delinquent Property Taxes-All Years	\$ 298,420	\$ 301,280	\$ 634,264	\$ 419,105	\$ 474,516
Total Delinquent Taxes-Current Year as a Percentage of Tax Levy	1.72%	1.66%	3.53%	2.44%	2.48%
Total Delinquent Taxes-All Years as a Percentage of Tax Levy	1.98%	1.89%	3.77%	2.50%	2.33%

Source: Portage Public Schools Audit Reports and accounting records

2003	2004	2005	2006	2007
\$20,037,076	\$21,580,385	\$23,060,966	\$22,147,681	\$23,512,228
19,610,142	21,163,053	22,594,758	21,772,490	22,341,701
19,942,462	21,498,421	22,965,700	22,108,725	23,446,699
97.87%	98.07%	97.98%	98.31%	95.02%
99.53%	99.62%	99.59%	99.82%	99.72%
\$ 426,934	\$ 417,332	\$ 466,208	\$ 38,955	\$ 65,529
\$ 452,472	\$ 522,219	\$ 626,189	\$ 91,854	\$ 106,829
2.13%	1.93%	2.02%	0.18%	0.28%
2.26%	2.42%	2.72%	0.41%	0.45%

PORTAGE PUBLIC SCHOOLS
Principal Taxpayers (Unaudited)
Current Year and Nine Years Ago

Principal Taxpayers	Product/Service	2006		1997		Percentage of Total	
		Taxable Value	Rank	Taxable Value	Rank	Advalorem	Advalorem
Pfizer Inc.	Pharmaceuticals	\$ 277,640,677	1	\$ 273,140,300	1	13.04%	20.23%
Stryker Medical/Stryker Corporation	Medical Equipment	40,612,486	2	8,669,700	6	1.91%	0.64%
Consumers Energy Company	Utility	33,746,249	3	18,742,700	4	1.58%	1.39%
Connecticut General Life Insurance	Retail Mall	21,494,343	4	28,189,100	2	1.01%	2.09%
Edward Rose Associates Inc.	Apartments	9,881,939	5	8,874,800	5	0.46%	0.66%
Mann & Hummel Automotive Inc.	Injection Molded Plastics	9,401,461	6	-		0.44%	0.00%
Meijer Inc.	Retail and Grocery	8,258,074	7	5,418,300	9	0.39%	0.40%
Bowers Manufacturing	Aluminum Fabricating	7,823,570	8	-		0.37%	0.00%
Southland Mall	Retail Mall	7,538,130	9	22,624,300	3	0.35%	1.68%
Summit Polymers, Inc.	Injection Molded Plastics	7,270,159	10	5,032,000	10	0.34%	0.37%
Moors Invt/Woodbridge Dev.	Housing, Golf course	-		6,333,900	8	0.00%	0.47%
Target/Portage Properties	Retail-Strip Mall	-		6,730,600	7	0.00%	0.50%
Total		\$ 423,667,088		\$ 383,755,700		19.89%	28.42%

Source: City of Portage Assessor

PORTAGE PUBLIC SCHOOLS
Summary of State Aid Payments (Unaudited)
Last Ten Fiscal Years

Year Ended June 30,	Blended Pupil Count	Foundation Grant Allowance Per Pupil	Total Foundation Grant Allowance	Less 18 mills taxes collected on Non- homestead property	Total State-Aid Payments
1998	8,935	\$ 5,462	\$ 48,802,970	\$ 10,094,611	\$ 38,708,359
1999	8,865	5,462	48,420,630	10,793,257	37,627,373
2000	8,844	5,700	50,410,800	11,096,990	39,313,810
2001	8,874	6,000	53,244,000	10,756,318	42,487,682
2002	8,856	6,500	57,564,000	13,150,627	44,413,373
2003	8,978	6,640	59,613,920	13,736,224	45,877,696
2004	9,034	6,626	59,859,284	14,873,825	44,985,459
2005	8,962	6,700	60,045,400	15,873,559	44,171,841
2006	8,988	6,875	61,792,500	16,671,544	45,120,956
2007	8,814	7,085	62,447,190	17,715,620	44,731,570

Sources: Michigan Department of Education State Aid Status Reports
Portage Public Schools internal accounting records

The School District can levy up to 18 mills on Non-homestead property for operations.
Any adjustments in the taxable value result in corresponding adjustments in the
amount of unrestricted state aid received.

Debt Capacity

PORTAGE PUBLIC SCHOOLS
Ratios of Outstanding Debt (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	General Obligation Bonds	Less Pledged Debt Retirement Fund Balance	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value
1998	\$ 35,861,950	\$ 638,506	\$ 35,223,444	\$ 307,504	\$ 35,530,948	\$ 1,350,457,428
1999	36,297,950	825,946	35,472,004	792,921	36,264,925	1,429,934,001
2000	34,428,950	1,041,073	33,387,877	605,602	33,993,479	1,505,729,960
2001	32,384,950	1,254,000	31,130,950	939,473	32,070,423	1,535,935,621
2002	34,765,950	1,267,321	33,498,629	1,292,001	34,790,630	1,678,581,379
2003	42,141,950	540,378	41,601,572	1,385,735	42,987,307	1,765,196,953
2004	38,802,238	867,989	37,934,249	1,410,056	39,344,305	1,816,229,318
2005	35,168,207	1,133,653	34,034,554	1,148,801	35,183,355	1,927,814,616
2006	32,962,623	1,504,707	31,457,916	1,197,055	32,654,971	2,048,844,271
2007	30,575,000	2,115,306	28,459,694	1,216,976	29,676,670	2,131,203,735

¹ U.S. Department of Commerce, Bureau of the Census for 1998-2003;
Skanska USA Building Inc. Report for 2004-2007, adjusted for City of Portage Census updates for 2007.

Source: Portage Public Schools Audit Reports

Percent of Net Bonded Debt to Taxable Value	Total Debt as a Percentage of Taxable Value	Estimated Population ¹	Net General Bonded Debt per Capita	Total General Obligation Debt per Capita	Debt Per Capita Income
2.61%	2.63%	47,000	\$ 749	\$ 756	\$ 1,403
2.48%	2.54%	50,000	709	725	1,359
2.22%	2.26%	50,000	668	680	1,258
2.03%	2.09%	50,000	623	641	1,153
2.00%	2.07%	51,000	657	682	1,215
2.36%	2.44%	51,000	816	843	1,453
2.09%	2.17%	53,464	710	736	1,275
1.77%	1.83%	54,980	619	640	1,109
1.54%	1.59%	54,980	572	594	1,018
1.34%	1.39%	54,856	519	541	878

PORTAGE PUBLIC SCHOOLS
Schedule of Direct and Overlapping Debt (Unaudited)
June 30, 2007

Direct Debt

1999 Refunding Bonds (UTNQ)	\$ 22,355,000
2002 School Building and Site Bonds (UTNQ)	8,220,000

Total Direct Debt 30,575,000

Overlapping Debt

Municipality	Net Tax Supported Debt	School District Share	
		Percent	Amount
City of Kalamazoo	\$ 31,195,000	2.12%	\$ 661,334
City of Portage	67,925,650	97.50%	66,227,509
Pavilion Township	1,020,520	13.22%	134,913
Texas Township	2,612,000	34.92%	912,110
Kalamazoo County	9,194,500	28.24%	2,596,527
Kalamazoo District Library	7,835,000	1.24%	97,154

Net Overlapping Debt 70,629,547

Total Direct and Net Overlapping Debt \$ 101,204,547

Ratios:

2006 State Equalized Valuation (SEV)	\$2,391,695,678
2006 Taxable Value (includes Renaissance Zone Taxable Value)	\$2,131,203,735
2006 True Cash Value (TCV)	\$4,262,407,470
2006 Population Estimate	54,856
Net Direct Debt	\$ 30,575,000
Net Direct and Overlapping Debt	\$ 101,204,547
Per Capita 2006 Taxable Value	\$ 38,851
Per Capita 2006 State Equalized Valuation	\$ 43,600
Per Capita 2006 True Cash Value	\$ 77,702
Per Capita Direct Debt	\$ 557
Per Capita Direct and Overlapping Debt	\$ 1,845
Percent Net Direct Debt of 2006 Taxable Value	1.43%
Percent Net Direct and Overlapping Debt of 2006 Taxable Value	4.75%
Percent Net Direct Debt of 2006 State Equalized Valuation	1.28%
Percent Net Direct and Overlapping Debt of 2006 State Equalized Valuation	4.23%
Percent Net Direct Debt of 2006 True Cash Value	0.72%
Percent Net Direct and Overlapping Debt of 2006 True Cash Value	2.37%

Source: Michigan Municipal Advisory Council provided overlapping debt amounts.

PORTAGE PUBLIC SCHOOLS
Computation of Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

Year Ended June 30,	1998	1999	2000	2001	2002
Calculation of Debt Limit:					
State Equalized Valuation (SEV) ¹ - December 31	\$ 1,420,071,800	\$ 1,512,619,850	\$ 1,621,636,100	\$ 1,675,125,650	\$ 1,827,623,100
Statutory Bonding Limit - 15% ²	213,010,770	226,892,978	243,245,415	251,268,848	274,143,465
Calculation of Debt subject to Limit:					
General Obligations Bonds Outstanding - June 30	35,861,950	36,297,950	34,428,950	32,384,950	34,765,950
Less Debt not subject to Limit ² - State Qualified Bonds	(16,640,000)	(6,140,000)	(5,425,000)	(4,600,000)	(3,660,000)
Net Debt Subject to Limit	19,221,950	30,157,950	29,003,950	27,784,950	31,105,950
Legal Debt Margin	<u>\$ 193,788,820</u>	<u>\$ 196,735,028</u>	<u>\$ 214,241,465</u>	<u>\$ 223,483,898</u>	<u>\$ 243,037,515</u>
Net debt subject to limit as % of debt limit	9.02%	13.29%	11.92%	11.06%	11.35%

Sources:

¹ Kalamazoo County Equalization Department-Annual Equalization Report
Portage Public Schools Audit Reports

² Public Act No. 451 of Michigan 1976, Sec. 1351 provides debt limits as follows: The bonded indebtedness of a school district shall not exceed 15 percent of all assessed valuation of the district. Bonds not included in the computation of the legal debt margin are:

1. Refunding bonds
2. Any bond qualified under Article IX, Sec. 16 of the 1963 Michigan Constitution
3. Deficit budget bonds as authorized by Sec. 1356

2003	2004	2005	2006	2007
\$1,973,460,750	\$2,058,686,500	\$2,179,642,478	\$2,287,494,700	\$2,391,695,678
296,019,113	308,802,975	326,946,372	343,124,205	358,754,352
42,141,950	38,802,238	35,168,207	32,962,623	30,575,000
(3,080,000)	(2,460,000)	(1,740,000)	(900,000)	-
39,061,950	36,342,238	33,428,207	32,062,623	30,575,000
<u>\$ 256,957,163</u>	<u>\$ 272,460,737</u>	<u>\$ 293,518,165</u>	<u>\$ 311,061,582</u>	<u>\$ 328,179,352</u>
13.20%	11.77%	10.22%	9.34%	8.52%

PORTAGE PUBLIC SCHOOLS

**Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures (Unaudited)
Last Ten Fiscal Years**

Year Ended June 30,	Principal	Interest and Paying Agent Fees	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
1998	\$ 1,260,000	\$ 1,879,797	\$ 3,139,797	\$ 68,072,348	4.61%
1999	1,454,000	1,372,285	2,826,285	67,736,721	4.17%
2000	1,869,000	1,554,936	3,423,936	67,384,754	5.08%
2001	2,044,000	1,475,663	3,519,663	68,146,840	5.16%
2002	2,234,000	1,430,769	3,664,769	78,929,616	4.64%
2003	4,509,000	1,727,498	6,236,498	82,505,339	7.56%
2004	3,339,712	2,281,478	5,621,190	82,096,391	6.85%
2005	3,634,031	2,118,346	5,752,377	83,646,945	6.88%
2006	2,205,584	2,064,058	4,269,642	83,269,330	5.13%
2007	2,387,623	2,062,725	4,450,348	85,805,593	5.19%

Source: Portage Public Schools Audit Reports

Demographic and Economic Information

PORTAGE PUBLIC SCHOOLS
Demographic and Economic Data (Unaudited)
Last Ten Fiscal Years

Year Ended June 30	Estimated Population ¹	Student FTE ²	Personal Income (in thousands)	Per Capita Personal Income ³	Unemployment Rate ⁴
1998	47,000	8,990	\$ 1,190,604	\$ 25,332	3.0%
1999	50,000	8,800	1,334,600	26,692	2.5%
2000	50,000	8,869	1,351,200	27,024	2.6%
2001	50,000	8,886	1,390,600	27,812	3.0%
2002	51,000	8,865	1,460,130	28,630	4.1%
2003	51,000	9,003	1,508,937	29,587	4.7%
2004	53,464	9,035	1,649,899	30,860	5.5%
2005	54,980	8,961	1,743,911	31,719	5.7%
2006	54,980	9,000	1,764,253	32,089	5.1%
2007	54,856	8,786	1,853,255	33,784	5.2%

Sources:

¹U.S. Bureau of the Census; 2004-2007 Skanska USA Building Report, adjusted for City of Portage Census updates in 2007.

²DS-4061-A

³U.S. Department of Commerce, Bureau of Economic Analysis, BEAR Facts for Kalamazoo County, except for 2007, which is the State estimate. Kalamazoo County has consistently been 98% of the State's per capita personal income amount.

⁴Michigan Department of Labor and Economic Growth-Annual Average Unemployment Rate for Kalamazoo County

PORTAGE PUBLIC SCHOOLS
Principal Employers
For the current year and nine prior years

Employer ¹	2006/2007 Employees	Ranking	Percentage of total employment	1997/1998 Employees	Ranking	Percentage of total employment
Western Michigan University	4,606	1	4%	2,863	3	2%
Borgess Health Alliance Inc.	4,475	2	4%	3,129	2	3%
Pfizer Corporation	4,000	3	3%	6,713	1	6%
Bronson Healthcare System	3,573	4	3%	2,800	4	2%
Stryker Corporation	2,500	5	2%	775	-	1%
Kalamazoo Public Schools	2,300	6	2%	1,632	8	1%
National City Bank	1,600	7	1%	1,750	6	1%
Meijer, Inc.	1,594	8	1%	1,735	7	1%
Portage Public Schools	1,187	9	1%	1,053	9	1%
Summit Polymers Inc.	1,097	10	1%	352	-	0%
General Motors Corp.	-	-	0%	1,800	5	1%
City of Kalamazoo	850	-	1%	943	10	1%
Total Principal Employers	<u>23,176</u>			<u>22,682</u>		
Total Employment	<u>127,625</u>			<u>121,796</u>		

Sources: Kalamazoo County Chamber of Commerce, Harris Michigan Industrial and Services Directories 2007 and 1997
Michigan Department of Labor and Economic Growth, 2007 and 1997

¹Includes the major employers within the School District and Kalamazoo County

Operating Information

PORTAGE PUBLIC SCHOOLS
Full-time Equivalent School District Employees
Last Ten Fiscal Years (Unaudited)

Function/ program	1998	1999	2000	2001	2002
General government:					
Instructional Services	551.40	546.33	544.50	552.86	559.78
Supporting Services	356.12	356.03	352.77	349.46	352.86
Community Services	44.50	49.50	51.50	50.50	51.40
Athletics	2.60	2.60	2.60	2.60	2.60
Food Service	38.95	37.79	42.80	41.33	41.52
Total	993.57	992.25	994.17	996.75	1,008.16

Sources:

Portage Public Schools Human Resources Department
Portage Public Schools Internal Budget Documentation
Michigan Department of Education Staffing Reports 1996-2001

Note:

The District began contracting some employee services during the year ended June 30, 2004 in order to save fringe benefit costs.

The fte equivalents include contracted administrative positions, but do not include contracted childcare workers, which were previously included in Community Services.

2003	2004	2005	2006	2007
566.98	568.26	564.81	575.13	577.75
340.48	336.49	335.78	336.57	337.11
53.50	52.50	9.50	9.50	10.50
2.60	2.60	2.60	2.60	2.60
41.42	42.06	41.50	44.47	44.26
1,004.98	1,001.91	954.19	968.27	972.22

PORTAGE PUBLIC SCHOOLS
Operating Indicators
Last Ten Fiscal Years (Unaudited)

Year Ended June 30	Enrollment ¹	Governmental Funds Operating Expenditures ²	Cost per Pupil	Operating Revenues	Revenue per Pupil	Total Teaching Staff ³
1998	9,098	\$ 55,546,433	\$ 6,105	\$ 63,194,809	\$ 6,946	574
1999	8,902	57,237,203	6,430	62,135,077	6,980	562
2000	8,956	58,538,393	6,536	64,453,332	7,197	562
2001	8,975	62,902,293	7,009	67,724,796	7,546	580
2002	8,965	69,898,601	7,797	75,402,783	8,411	582
2003	9,101	71,667,774	7,875	76,787,535	8,437	583
2004	9,147	71,157,272	7,779	77,877,926	8,514	585
2005	9,048	72,952,664	8,063	79,432,896	8,779	567
2006	9,082	76,769,759	8,453	83,321,808	9,174	572
2007	8,868	80,540,686	9,082	85,093,698	9,596	569

Sources: Portage Public Schools Audit Report
Michigan Department of Education Bulletin 1014
Portage Public Schools October lunch reimbursement claims
Portage Public Schools Human Resources Department

*Information not available

¹Enrollment is September headcount

²Operating expenditures are Total Government Funds Expenditures less Debt Service, Capital Outlay, and Other transactions for 1998-2002; Operating expenditures are Total Government-Wide Expenditures less interest on long-term debt and unallocated depreciation for 2003-2007.

³Total Teaching Staff includes all Instruction, Pupil Support, and Instructional Support

⁴Average Teacher Salary and Pupil-Teacher Ratio is for Basic Instructional levels only.

Percentage of Students Qualifying for Free/reduced Meals	Average Teacher Salary ⁴	Pupil- Teacher Ratio ⁴
*	\$ 44,379	20
*	45,831	20
*	46,768	20
13%	49,414	20
15%	52,028	20
14%	54,820	21
15%	51,547	20
17%	52,477	20
18%	52,469	20
19%	54,957	20

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years

Building	As of June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Elementary:										
Amberly (1960)										
Acreage	20	20	20	20	20	20	20	20	20	20
Square feet	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957	75,957
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	661	628	627	620	608	587	618	593	598	610
Angling Road (1963)										
Acreage	12	12	12	12	12	12	12	12	12	12
Square feet	61,660	61,660	61,660	61,660	61,660	61,660	63,710	63,710	63,710	63,710
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	483	470	448	453	448	455	434	431	422	407
Central Elementary (1969)										
Acreage ¹	48	48	48	48	48	48	48	48	48	48
Square feet	57,700	57,700	57,700	57,700	57,700	57,700	60,175	60,175	60,175	60,175
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	503	469	449	450	442	432	398	389	414	414
Haverhill (1962)										
Acreage	11	11	11	11	11	11	11	11	11	11
Square feet	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098	57,098
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	433	412	401	447	449	476	452	431	469	436
Lake Center (1928)										
Acreage	11	11	11	11	11	11	12	12	12	12
Square feet	58,190	58,190	58,190	57,390	57,390	57,390	57,390	57,390	57,390	57,390
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	492	467	484	489	490	510	537	532	540	597
Moorsbridge (1994)										
Acreage ²	-	-	-	-	-	-	-	-	-	-
Square feet	60,500	66,868	66,868	66,868	66,868	66,868	66,868	66,868	66,868	66,868
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	596	554	559	545	549	577	600	618	631	592
Waylee (1955)										
Acreage	3	3	3	3	3	3	3	3	3	3
Square feet	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780	52,780
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	445	432	452	455	453	439	440	431	418	400
Woodland (1968)										
Acreage	9	9	9	9	9	9	9	9	9	9
Square feet	60,400	60,400	60,400	60,400	60,400	60,400	64,000	64,000	64,000	64,000
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	538	522	524	529	484	476	472	466	485	469

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

³Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Sources:

Portage Public Schools building blueprints

Deyo/Stone Associates Appraisal Report June 30, 2007

September unofficial Head count

DS-4573, TMP Associates

(Continued)

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years
(Continued)

Building	As of June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Middle:										
Central Middle (1957)										
Acreage ³	-	-	-	-	-	-	-	-	-	-
Square feet	116,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656	120,656
Capacity	788	788	788	788	788	788	788	788	788	788
Enrollment	701	719	703	673	669	724	739	744	713	663
North Middle (1961)										
Acreage ⁴	-	-	-	-	-	-	-	-	-	-
Square feet	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640	147,640
Capacity	810	810	810	810	810	810	810	810	810	810
Enrollment	639	610	620	599	599	616	611	619	581	590
West Middle (1972)										
Acreage ²	66	66	66	66	66	66	66	66	66	66
Square feet	125,835	128,159	128,159	128,159	128,159	128,159	128,159	128,159	128,159	128,159
Capacity	901	901	901	901	901	901	901	901	901	901
Enrollment	755	761	776	791	763	734	747	716	714	704
High:										
Central High (1949)										
Acreage ³	52	52	52	52	52	52	52	52	52	52
Square feet ⁵	237,960	237,960	241,260	241,260	241,260	291,260	291,260	291,260	291,260	291,260
Capacity	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446	1,446
Enrollment	1,312	1,347	1,405	1,385	1,462	1,462	1,499	1,494	1,491	1,466
Northern High (1965)										
Acreage ⁴	86	86	86	86	86	86	86	86	86	86
Square feet ⁵	210,220	210,220	210,220	210,220	210,220	295,201	295,401	295,401	296,001	296,001
Capacity	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424	1,424
Enrollment	1,293	1,239	1,207	1,267	1,301	1,401	1,355	1,353	1,382	1,300
Alternative School-										
Community Education Center (1951)										
Acreage ⁴	-	-	-	-	-	-	-	-	-	-
Square feet	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286	52,286
Capacity	276	276	276	276	276	276	276	276	276	276
Enrollment	247	272	301	272	248	212	245	231	224	220

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

³Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Sources:

Portage Public Schools building blueprints

Deyo/Stone Associates Appraisal Report June 30, 2007

September unofficial Head count

DS-4573, TMP Associates

(Continued)

PORTAGE PUBLIC SCHOOLS
Capital Asset Information (Unaudited)
Last Ten Fiscal Years
(Concluded)

Building	As of June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other:										
Administration (1922)										
Acreage ³	-	-	-	-	-	-	-	-	-	-
Square feet	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816	49,816
Capacity	25	25	25	25	25	25	25	25	25	25
Enrollment ⁶	-	-	-	-	-	-	-	-	-	-
Maintenance (1988) and Grounds (1950)										
Square feet	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340	16,340
Transportation and Central Receiving (1950-1970)										
Square feet	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047	39,047
Number of garages	1	1	1	1	1	1	1	1	1	1
Number of busses	63	60	60	60	59	59	60	60	60	60
Athletics:										
Football fields	1	1	1	1	1	1	1	1	1	1
Soccer fields	2	2	2	2	2	2	2	2	2	2
Running tracks	5	5	5	5	5	7	7	7	7	7
Baseball/softball diamonds	13	13	13	13	13	13	13	13	13	13
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	3	3	3	3	3	3	3	3	3	3
Playgrounds	11	11	11	11	11	11	11	11	11	11
Other Acreage:										
12th Street	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9
South Westnedge	20	20	20	20	20	20	20	20	20	20
West Centre Street	38	38	38	38	38	38	38	38	38	-

¹Site acreage includes McCamley Field

²Site acreage includes Moorsbridge Elementary

³Site acreage includes Central Middle School, Administration, Maintenance & Operations, and Transportation

⁴Site acreage includes North Middle School and Community Education Center

⁵Includes 1 Multipurpose Building at each high school

⁶Enrollment for PEP included in individual buildings

Sources:

Portage Public Schools building blueprints

Deyo/Stone Associates Appraisal Report June 30, 2007

September unofficial Head count

DS-4573, TMP Associates

SM-4107 School Bus Inventory Report



Portage, Michigan

SINGLE AUDIT

For the Year Ended June 30, 2007



REHMANN ROBSON

Certified Public Accountants

**PORTAGE PUBLIC SCHOOLS
SINGLE AUDIT**

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For the Year Ended June 30, 2007

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PORTAGE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass- through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Agriculture								
Direct Programs:								
Food Distribution:								
Entitlement Commodities 2006-07	10.550	-n/a-	\$ 84,815	\$ -	\$ -	\$ 84,815	\$ 84,815	\$ -
Bonus Commodities 2006-07	10.550	-n/a-	1,693	-	-	1,693	1,693	-
				-	-	86,508	86,508	-
Passed-through Michigan Department of Education:								
National School Breakfast:								
2005-06	10.553	061970	11,953	2,932	-	11,953	9,021	-
2006-07	10.553	071970	91,921	-	-	87,146	91,921	4,775
				2,932	-	99,099	100,942	4,775
National School Lunch:								
2005-2006 Snacks	10.555	061980	592	167	-	592	425	-
2006-2007 Snacks	10.555	071980	1,905	-	-	1,731	1,905	174
2005-2006 Section 4	10.555	061950	20,823	3,834	-	20,823	16,989	-
2006-2007 Section 4	10.555	071950	133,277	-	-	127,727	133,277	5,550
2005-2006 Section 11	10.555	061960	49,507	8,650	-	49,507	40,857	-
2006-2007 Section 11	10.555	071960	352,846	-	-	339,360	352,846	13,486
				12,651	-	539,740	546,299	19,210
Special Milk Program:								
2005-2006 Meals	10.556	061940	249	51	-	249	198	-
2006-2007 Meals	10.556	071940	1,609	-	-	1,549	1,609	60
				51	-	1,798	1,807	60
Total U.S. Department of Agriculture				15,634	-	727,145	735,556	24,045
National Endowment for the Arts								
Passed through Michigan Council for Arts and Cultural Affairs:								
2006-07 Arts Services	45.025	07AL0013EX	2,600	-	-	2,600	2,600	-
U.S. Department of Education								
Passed-through Michigan Department of Education:								
2006-2007 ABE-English Literacy Grant	84.002	071120/7500167	26,600	-	-	24,618	26,600	1,982
2006-2007 Title I, Part A	84.010	061530/0607	162,301	-	-	99,418	162,301	62,883
2006-2007 Title I, Part A	84.010	071530/0607	583,793	-	-	222,111	503,626	281,515
2005-2006 Title I, Part A	84.010	051530/0506	52,090	6,593	(27,710)	6,593	-	(27,710)
2005-2006 Title I, Part A	84.010	061530/0506	421,492	81,458	(9,635)	71,823	-	-
				88,051	(37,345)	399,945	665,927	316,688
2006-2007 Title V	84.298	070250-0607	1,834	-	-	1,834	1,834	-
2005-2006 Title IID Ed Tech	84.318	064290-0506	10,891	4,196	-	4,196	-	-
2006-2007 Title IID Ed Tech	84.318	074290-0607	5,993	-	-	4,269	5,993	1,724
				4,196	-	8,465	5,993	1,724
2005-2006 Title IIA	84.367	050520-0506	107,545	14,418	-	14,418	-	-
2005-2006 Title IIA	84.367	060520-0506	205,217	67,725	-	67,725	-	-
2005-2006 Title IIA	84.367	060520-0607	8,786	-	-	8,786	8,786	-
2005-2006 Title IIA	84.367	070520-0607	210,401	-	-	96,531	185,580	89,049
				82,143	-	187,460	194,366	89,049

PORTAGE PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards (concluded)
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Name	CFDA Number	Pass- through Grantor's Number	Approved Award/Grant Amount	Accrued Revenue Beginning of Year	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued Revenue End of Year
U.S. Department of Education (concluded)								
Passed-through Calhoun Intermediate School District:								
2005-2006 Drug Free Schools	84.186	062860-0506	22,000	\$ 4,804	\$ -	\$ 4,804	\$ -	\$ -
2006-2007 Drug Free Schools	84.186	072860-0607	19,634	-	-	19,221	19,634	413
				4,804	-	24,025	19,634	413
Passed-through Kalamazoo Regional Educational Service Agency:								
2005-2006 Special Education Transition Grant	84.027A	060490-TS	15,000	14,988	-	14,988	-	-
2006-2007 Special Education Transition Grant	84.027A	070490-TS	15,000	-	-	-	15,000	15,000
2006-2007 Service Provider Self Review	84.027A	070440-0607	3,760	-	-	-	791	791
2006-2007 IDEA Flowthrough	84.027A	070450-0607	406,382	-	-	406,382	406,382	-
				14,988	-	421,370	422,173	15,791
Total U.S. Department of Education				194,182	(37,345)	1,067,717	1,336,527	425,647
Total Expenditures of Federal Awards				\$ 209,816	\$ (37,345)	\$ 1,797,462	\$ 2,074,683	\$ 449,692

1. Expenditures in this schedule are in agreement with amounts reported as federal revenue in the financial statements and the financial reports submitted to the MDE.
2. The amounts reported on the R7120 (Grants Section Auditor's Report) and Grant Auditor Report reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and are reported in the current year receipts column.
4. Expenditures include spoilage or pilferage.
5. Adjustments in the schedule were made to correct an error in the prior year.

PORTAGE PUBLIC SCHOOLS

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Portage Public Schools (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Portage Public Schools reporting entity is defined in Note I of the District's financial statements.

Expenditures are in agreement with amounts reported in the basic financial statements. Management has utilized the Grants Section Auditors Report (form R7120) and Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The payments recorded on form R7120 exceed cash received on the Schedule of Expenditures of Federal Awards because payments made by the State of Michigan were not received by the District until July 2, 2007. The funds were included as accrued revenue at June 30, 2007 and were excluded from the cash received column on the schedule of expenditures of federal awards in the current year.

The District administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the Portage Public Schools reporting entity. Of the federal expenditures presented in the schedule, Portage Public Schools provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
National Endowment for the Arts	45.025	\$ 2,600

* * * * *



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

October 24, 2007

Board of Education
Portage Public Schools
Portage, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Portage Public Schools*, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Portage Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portage Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Portage Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Portage Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Portage Public Schools in a separate letter dated October 24, 2007.

Portage Public Schools' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Portage Public Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lehmann Johnson".



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

October 24, 2007

Board of Education
Portage Public Schools
Portage, Michigan

Compliance

We have audited the compliance of *Portage Public Schools* with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Portage Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Portage Public Schools' management. Our responsibility is to express an opinion on Portage Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Portage Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Portage Public Schools' compliance with those requirements.

In our opinion, Portage Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.



Internal Control Over Compliance

The management of Portage Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Portage Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Portage Public Schools' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance describe in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Portage Public Schools' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Portage Public Schools' response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Portage Public Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Portage Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Lehmann Johnson".

PORTAGE PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses?

X yes _____ none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

_____ yes X no

PORTAGE PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2007-1: Adequate Documentation of Payroll Costs

Criteria: Time spent working on Title I must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h.

Condition: The District based the allocation of salary costs of the Title I Director on a predetermined budgeted time schedule. While the actual time spent on Title I activities approximated the budgeted schedule, the District failed to document that an after-the-fact review took place at least monthly, as required.

Cause: This condition was primarily caused by a management oversight in the applicable documentation requirements for personnel time and qualification requirements.

PORTAGE PUBLIC SCHOOLS

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2007

Effect:	As a result of this condition, the District failed to fully comply with the documentation requirements of OMB Circular A-87 for \$31,759 of salaries expenditures charged to the Title I program.
Questioned Costs:	\$31,759
Recommendation:	We recommend that appropriate procedures be implemented to ensure that adequate supporting documentation is available to support costs charged to federal grants.
View of Responsible Officials:	Management notes that the Title I Director did document activities during the 2006-07 school year that were performed that were allowable under Title I guidelines. The costs were incurred, just not <i>fully</i> documented in accordance with federal cost principles. Management acknowledges that additional documentation is required to comply with federal cost principles. As discussed in the corrective action plan, for the 2007-08 school year the Title I Director is documenting her activities on an activity report, and the report is being reviewed and approved by her supervisor. Accordingly, Management respectfully submits that while these costs were appropriately "questioned" in accordance with OMB Circular A-133, the Michigan Department of Education should <u>not</u> request these funds be repaid.

SECTION IV – PRIOR YEAR FINDINGS

2006-1 Child Nutrition Cluster – Special Tests and Provisions

Due to a software error in the prior year, students whose meal status should have changed, continued to erroneously receive free or reduced meals. This has been corrected.

* * * * *



Single Audit Corrective Action Plan
Year Ending June 30, 2007

2007-1 Title I CFDA #84.010 – Allowable Costs / Cost Principals

Summary of Finding-

The District based the allocation of salary costs of the Title I Director on a budgeted time schedule. While the actual time spent on Title I activities as documented by the Director on a daily basis approximated the budgeted schedule, the District failed to Document that an after-the-fact review took place.

Corrective action-

For the 2007-08 year, the Title I Director is continuing to document her daily activities, but now a daily activity report is prepared for each pay period, and the Title I Director's supervisor is responsible for reviewing and approving the activity report at the end of each pay period. The payroll supervisor is responsible for ensuring that she receives the approved activity report each pay period.

Contact persons-

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Phone: (269) 323-5186

Laurie Montgomery
Director of Special Education and At-Risk Programs
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NOTICE OF NONDISCRIMINATION: Portage Public Schools does not discriminate on the basis of race, color, religion, sex, national origin, age, height, weight, marital status, handicap, or disability in any of its programs or activities. All inquiries by students and/or their parents/guardians related to discrimination should be directed to Mr. John Manske, District Legal Counsel, Portage Public Schools, 8111 S. Westnedge Ave., Portage, MI 49002 Telephone 616-323-5171



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

October 24, 2007

To the Board of Education of
Portage Public Schools
Portage, Michigan

We have audited the financial statements of Portage Public Schools for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated June 12, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Portage Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Portage Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Portage Public Schools' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Portage Public Schools' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Portage Public Schools' compliance with those requirements.



Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Portage Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Portage Public Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of for the allowance for uncollectible taxes and deferral of certain tax revenues for SEV/TIFA adjustments anticipated to be made in future periods are based upon the District's prior experience and review of applicable tax roll changes. These estimates do not preclude that other collection efforts made by the tax collections units and the District will occasionally receive payments for taxes previously written off.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported workers' compensation claims, utilizes the services of an independent third-party risk management consultant to estimate the liability.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Portage Public Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Portage Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Portage Public Schools' financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Portage Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Education, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Johnson".

Portage Public Schools
Comments and Recommendations
For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of Portage Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiency we noted that we consider to be a significant deficiency is described in the Schedule of Findings and Questioned Costs in the District's Single Audit report.

Other Matters

Documentation for Highly Qualified Teachers

In accordance with OMB Circular A-133, the District may only charge salaries and related expenditures for teachers and paraprofessionals to the Title I federal grant program if they meet certain criteria. Our testing revealed that the District had not obtained documentation to support the highly qualified status of 4 of its paraprofessionals. While the District was ultimately able to obtain the required documentation and verify the status of 3 of these 4 individuals, we recommend that the District modify its internal policies to require that evidence of the highly qualified status of all paraprofessionals charged to federal programs be documented and retained.

The District agreed to remove from the Title I grant the costs of the one paraprofessional for whom documentation was not available. The amount of disallowed cost identified through our testing was immaterial to the federal program being audited, and is not required to be reported as part of the District's single audit in accordance with applicable federal reporting guidelines.

* * * * *

Portage Public Schools
 Schedule of Adjustments Passed (SOAP)
 For the June 30, 2007 Audit

In accordance with the provisions of SAS 89, *Audit Adjustments*, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. Also in accordance with SAS 89, we are providing this schedule to both management and the audit committee to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
Assets	Liabilities	Beginning Fund Balance	Revenue	Expenses/ Expenditures	
Prior year passed adjustment for deferred revenue recorded as an allowance for uncollectible taxes receivable that was not supported by collection history.	-	-	(15,000)	15,000	-